



**“Punjab National Bank
Q2 FY '26 Earnings Conference Call”
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MODERATOR: **MS. PALAK SHAH – ELARA CAPITAL**

Moderator: Ladies and gentlemen, good day, and welcome to Punjab National Bank Q2 FY '26 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 operator by pressing star then zero on your touch-tone phone.

Please note that this conference is being recorded. I now hand the conference over to Ms. Palak Shah Thank you, and over to Miss Shah.

Palak Shah: Hello, everyone, and welcome to Q2 FY '26 Earnings Conference Call of Punjab National Bank. Today, we have with us the management of the bank headed by Mr. Ashok Chandra, MD and CEO; Mr. M Paramasivam, Executive Director; Mr. Bibhu Prasad Mahapatra, Executive Director and Mr. D Surendran, Executive Director.

With this introduction, I would like to hand over the call to Mr. Ajay Kumar Singh, General Manager, Strategic Management Economic Advisory Division to read out the disclaimer statement, post which MD sir, will address the conference. Thank you, and over to you, sir.

Ajay Kumar Singh: Good afternoon. I'll be reading the disclaimer. 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 present date. I now request MD sir for the opening remarks.

Ashok Chandra: Good afternoon to all the participants. I will just give the brief about the performance of our bank. The global gross business of the bank stood at INR27.87 trillion as on September '25 with a Y-o-Y growth rate of 10.6%. Global deposits stood at INR16.17 trillion with a yearly growth rate of 10.9% and global advances stood at INR11.7 trillion with a yearly growth rate of 10.1%.

We have sanctioned credit lines to the tune of INR1.78 lakh crores, which are yet to be disbursed and that will favor the credit growth of the bank in the future. CD ratio of the bank is comfortably placed at 72.33% Bank has started to witness the impact of various initiatives taken to garner low-cost deposits and CASA ratio of the bank has improved to 37.29% as of September '25 from 36.99% as on June 2025, we expect the ratio to improve further gradually.

Bank opened 27.67 lakh CASA accounts in the revamped schemes with CASA balances to the tune of INR18,200 crores during H1 of FY '26. Our RAM advances stands at INR6.35 trillion, which is around 56.8% of the domestic advance, compared to 55.8% as of September 2024. We are strategically enhancing our RAM share within the overall advances to improve our yield on advances while managing risk.

Coming to the profitability, our domestic NIM percentage is at 2.72% for Q2 of FY 2026, whereas global NIM percentage stood at 2.60%, with the yield on advances having largely stabilized at the lower end. We anticipate an improvement in the NIM from Q3 onwards. This

outlook is supported by the ongoing repricing of deposits and the favorable impact of the CRR cuts, which will be fully materialized in Q3 and Q4.

The operating profit for the Q2 is INR7,227 crores which has improved from INR6,853 crores for Q2 of last financial year and INR7,081 crores of Q1 of this year. Y-o-Y growth rate of operating profit is 5.46%. Net profit of the bank stands for Q2 of this year at INR4,904 crores as against INR4,303 crores for Q2 in the same period last year, depicting healthy Y-o-Y growth rate of 14%.

Efficiency ratios, highlighting efficiency of the bank are improving consistently. Our return on asset, ROA is at the level of 1.05% for Q2 as against 1.02% for same period last year. The return on equity stands at 17.95%. EPS, earnings per share (not annualized) is 4.27 for Q2 of this year against 3.90 for Q2 of last year.

Our tangible book value per share at 30th September is 95.92, which has significantly improved from the level of INR79.18 as on 30th September 2024. We are mindful of improving our cost-to-income ratio, and the same has reduced from 54.58% in Q2 of FY '25 to 51.20% in Q2 of this year.

Asset quality highlights. Bank has done extremely well in the gross NPA and net NPA. Gross NPA has reduced to 3.45% as on 30th September from 4.48% in September '24 and 3.78% in June '25. Similarly, the net NPA percentage, which was 0.46% in September '24, has improved to 0.36% in September '25.

We are on track to achieve our guidance for GNPA and net NPA for financial year 2026. Our PCR stands at 96.91% as on 30th September 2025, which is well above our guidance of more than 96% for this financial year. Total fresh slippages during the Q2 for this year was INR1,955 crores as against INR2,181 crores in Q2 of last year.

Our guidance for slippage ratio was to remain below 1% in FY 2026 and we are well within our guidance level at slippage ratio for the Q2 for this year has been on annualized basis is 0.71%. Total recovery stood at INR3,920 crores for Q2 as against the INR3,356 crores in Q1 of this year.

Our recovery continues to be more than slippages reflecting our commitment towards improving asset quality. As a result of maintaining tangible PCR more than 90% and having recoveries from GNPA more than the slippages, we have witnessed pullback of NPA provisions in the particular quarter, and our credit cost has turned negative.

From the 1st of July '20 to September 30, 2025, we have sanctioned around INR12.06 trillion loans, out of which we have disbursed around INR10.47 trillion loans. The outstanding in these loans is INR7.63 trillion as of now, which is close to 65% of our total outstanding loan book and net NPA in this book is hardly INR4,282 crores, which is only 0.41% of the disbursed amount under fresh underwriting. This speaks about the underwriting standard of our bank.

Highlights of the capital. As far as capital is concerned, our capital adequacy is 17.19% as on 30th September 2025 compared to 16.36% as on 30th September 2024 and 17.50% as at 30th of June 2025. Our CET1 is at 12.75%, Tier 1 14.41%, and Tier 2 is at 2.78%, which is well above the regulatory requirements. Bank is doing extremely well in the digital front and the share of digital transaction is close to 95% in this financial year.

And further, there is a 53% increase in UPI transactions done through our mobile application PNB One, in this financial year as compared to the Q2 of the last year. Number of WhatsApp banking users has grown up by 92% from 43.5 lakhs as on 30th September 2024 to 83.4 lakhs as on 30th September 2025, our corporate mobile banking application launched on 18th September 2025 serves to more than 1.94 lakh customers with app rating of 4.0 on play store and 4.1 on iOS.

We have sanctioned and disbursed additional loans to the tune of INR7,649 crores in Q2 of this year, and every fifth loan we sanctioned in the digital mode in our bank. We have onboarded 5.42 lakh CBDC customers and 84.18 lakh transactions were done through CBDC app till 30th September 2025.

We are promoting the financial inclusion through digital channel with a comprehensive do-it-yourself SHG journey. Digi MSME loans, e-Mudra loans, e-PM Vishwaskarma, and Digi Surya Ghar, these are all the digital loan products. We have launched digital journeys for our Dairy Kisan Credit Card, tractor loan, revamped the KCC, renewal up to 10 lakh and e-loans against the securities during the quarter.

Further, we have planned to launch a unified solution to streamline our more than 100 digital journeys very soon. We are also looking forward to revamp our Internet banking and mobile banking applications. Among new initiatives, bank is focusing on the business of supply chain financing and has done tie-ups with most of the leading players in automobile industry for financing their dealers through our dedicated supply chain management vertical.

Bank is committed to enhance our fee-based income and current account balance through the rapid rollout of cash management services. Bank understands the potential of credit card business and we launched its premium metal card PNB Luxura, with the target market of HNIs, high-end professionals and affluent business owners.

HR highlights. Our bank has adopted new HR ecosystem driven by project UDAAN. We are undertaking this project in 2 parts, namely digital performance management system and capacity building.

Under digital performance management system, KRAs of employees are being revamped to make them more business-oriented and impact driven, ensuring a stronger commitment and alignment with the strategic objectives and operational goals of the bank. Under capacity building, we are undertaking numerous activities involving leadership development program, GenAI learning, chatbot, and comprehensive skill development programs for employees.

Punjab National Bank remains focused on strengthening its core business fundamentals. The bank is prioritizing an increase in the CASA share with total deposits and enhancing the RAM portfolio in total advances which will collectively support improvement in net interest margin and overall profitability.

Containment of slippages and robust recovery efforts continue to be the key priorities to ensure asset quality stability, with ongoing digital and HR transformation initiatives, the bank is well positioned to achieve sustainable growth in the business and profitability.

The balance sheet has strengthened significantly with a substantial reduction in bad assets with higher provisioning coverage. Going forward, the bank aims to further enhance its market share across all the segments. Thank you very much, and wish you all a very, very happy Diwali. I am open for any questions or any query, any clarification related with our performance highlights.

Moderator: Thank you. The first question comes from the line of Ashok Ajmera with Ajcon Global. Please go ahead.

Ashok Ajmera: Sir, at the very outset, Chandra, sir. A very, very happy Dhanteras to all of you there in Punjab National Bank, all the top management and the other people who are there and a very happy Diwali in advance and a prosperous new year.

Ashok Chandra: Thank you. Thank you very much and Happy Diwali to you and your family.

Ashok Ajmera: Sir, and compliments for yet another good quarter for the good set of numbers, sir, especially on the profitability front, you have maintained your good operating profit. Thanks to new tax regime, even the -- I mean, the net profit is also quite sizable because of the lower tax impact in this quarter compared to the last quarter. Having said this, sir, my first question is or rather a little concern is on the credit growth, though the credit growth for the annualized basis is 10.14%.

But sir, if you look at the current 6 months, like only 5.5 months are left for the current year now FY '26, you need to -- in order to meet your target of 12% you will have to sanction and disburse almost about INR80,000 crores in the remaining 5.5 months or 6 months. So are we on target?

And secondly, what is our sanction book pipeline and the proposals in pipeline through your NBG clearances and other things and how confident you are in achieving this number of INR80,000 crores remaining amount to meet your targets. So this is first on the credit front. And the composition of the corporate and the retail book in that. So that is my first question.

Second one, sir, Canara HSBC Life IPO reduction, our percentage has come down to 13% from 23% because of that IPO. So this has happened in October, I think, second week or so. So any adjustment or any impact was there in the September quarter on account of the sale of shares or reduction through the IPO, any financial impact on the bank books?

Thirdly, sir, this other income has gone down in this quarter and mainly due to lesser recovery in the written off account to INR854 crores from almost INR1,200 crores in the last quarter and

the fee-based income also going down to INR1,685 crores from INR2,250 crores. So some color on that, what is the reason and in the next 6 months, how are we placed on that?

So -- and one is, sir, on -- in this round is on the giving some -- I mean full information about the SMA number because whatever little time I got, we could see that only SMA-2 numbers are only given which are INR1,873 crores versus INR1,596 crores in the last quarter.

So the full color, the entire SMA picture, where do we stand on 30th September 2025 on SMA front, so as to assess the asset quality temporarily now. So these are my few questions. You have done well on the cash recovery and upgradation, sir, I must compliment for that. And going forward, what are our recovery targets? This is also if it may be added.

Ashok Chandra:

Thank you very much, Ajmera saab. First, I will touch your first question, that is the advances growth. And in the advances growth, if you see, the retail advances excl. IBPC, we have grown by 18%, Agriculture, 13%; MSME, 18.6%. Now the corporate loan book in this particular quarter, it has grown with 7.9%. And if you compare the corporate loan book growth in the Q1 and Q2 there has been substantial improvement.

And Q-o-Q growth in the corporate loan book itself is 3%. So that was one area which was a concern for the Q1. And going forward, definitely, I am seeing lot of disbursement should happen in the corporate loan book. With all those things, we have already given a direction of 11% to 12% in the credit book and 100% we are going to achieve this. You have asked for the - - what is the total pool which is available, and I will share that.

Last time I have shared to all of you is that INR136,000 crores was the total sanction book for which the disbursement was pending. Now that book has gone to INR178,000 crores. And this is not NBG. These are all -- it is approved, and we have sanctioned and the disbursements are pending. And now in this around 40% to 45%, we have given the project loans.

And that, you know that disbursement takes in the 1 to 2 years' time. But all these disbursements are going to happen in the system. And we are looking forward for a good corporate loan book growth. With all those things, I'm expecting that definitely 11% to 12% credit growth is possible, and we are going to achieve that.

Next, your question was the composition of the RAM and the corporate. And we are putting a lot of focus on the RAM book and this quarter itself, the RAM share is 56.8%, which we are going to improve to around 57% to 58%. And to that extent, we are going to reduce the corporate loan book. So in the long run, our goal is that our RAM percentage should touch 60% and corporate loan book should come down to 40% and with all those things, you are seeing the operating profit going up now.

And first time we had crossed INR7,000 crores last quarter. In this quarter also, we have maintained that operating profit. Third, your question about Canara HSBC Life. In fact, we are getting about INR950 crores out of this 10% dilution. Nothing has been factored in the September quarter, all these things, we are going to factor in the Q3.

TWO recovery, yes, TWO recovery in this particular quarter has been muted, but overall recovery is INR3,920 crores. So almost we are touching INR4,000 crores of recovery. In this particular quarter, there are certain accounts and you know the recovery, you target certain things, and it happens, sometimes it gets materialized in the subsequent quarters.

So, there are many accounts under the TWO for which the advanced stage negotiations have happened, and the proposals are in advanced stage. I'm expecting that in this particular quarter, definitely, the TWO recovery will be in the tune of around INR1,200 crores.

With all those things, sir, we have given the yearly guidance of INR16,000 crores of total recovery to happen, we are on track. And in this particular quarter, Q3, I'm expecting somewhere around INR4,500 crores of recovery should happen in the entire system now. Your next question was fee-based income.

See, first quarter always, there will be higher income will be there in the noninterest income and that too in the fee-based income category, because the processing charges and all the yearly charges which we collect, the -- all these things comes in the first quarter of every financial year.

But since our credit pipeline is strong, and the corporate loan book is also growing. So definitely, I think the BG commission, LC commission, the processing charges, all put together, I think definitely, we can see some improvement in the Q3 and Q4. SMA book, overall, the SMA-0, -1, -2 all put together irrespective of the amount in the bank is 5.75%. I think I have covered all your points.

Moderator: Next question comes from the line of Mahrukh Adajania: with Nuvama.

Mahrukh Adajania: Hello sir. Congratulations. Sir, I had a few questions. Firstly, what is your outlook on margins, right? Because they fell around 10 basis points on a global level Q-o-Q. So how do we see it from here on if there are no rate cuts, do they stabilize? Do they improve? Will there be a change in mix more corporate bringing down margins? How do we view margins in the next 2 quarters mainly because there will also be downward MCLR repricing. That's my first question.

Ashok Chandra: Okay. See, madam, in fact, in my earlier conversation also, I had mentioned that Q1 and Q2, really, it will be some challenges because of the 100 basis point rate cut in the repo and 49% of our book is priced with the RLLR. And that we have passed it on immediately after the announcement of the rate cut, and repricing of our deposits has already been started.

If you see our cost of deposits has also come down substantially. And we are going to see those benefits happening in Q3, Q4. Last time also I had indicated that Q3, Q4 onwards, definitely, there will be some good movement happening in the NIM front and NII.

Mahrukh Adajania: Sir, and then there were reports on an IL&FS-based -- IL&FS account being upgraded this quarter. Have we given -- have we taken that as an upgrade in costs and in NPL movement?

Ashok Chandra: Yes. That account has been upgraded, but the provision is not yet released. I think we may take this release in the Q3 or Q4.

Mahrukh Adajania: Okay. But you are permitted to release it, but it's your choice that you didn't?

Ashok Chandra: Yes, yes.

Moderator: Next question is from the line of Piran Engineer with CLSA.

Piran Engineer: Sir, congrats on the quarter. Just going back to Mahrukh's question on NIM, can we see maybe 5 to 10 bps per quarter NIM improvement for next 2 quarters?

Ashok Chandra: On conservative estimate, I can tell you that at least the 5 basis point improvement, definitely, it will happen in the Q3 and around 10-plus basis points in the Q4 because by that time, my entire -- the 1-year deposit will be repriced, and we will have the benefit of the entire thing in the full financial year.

Piran Engineer: Okay. So at least 15 over 2 quarters cumulatively?

Ashok Chandra: Yes. Yes, yes. definitely it will happen.

Piran Engineer: That's good to know. Sir, secondly, on opex, it was a positive surprise with cost cutting. I think earlier you had guided to INR8,000 crores, INR8,200 crores quarterly opex, anything to read into, it came much lower than that?

Ashok Chandra: See, we are very, very mindful and the top level at the head office level and the field level we have sensitized about all those things. And wherever it is required, those expenditures only we are doing it. And that is the reason it has been brought down now.

Moderator: Next question comes from the line of Harsh Modi with JPMorgan.

Harsh Modi: Just one question, sir. How do we think about your ROA and ROE target over, let's say, next in FY '26 and FY '27? And as a management team, what are the key metrics we are looking to solve for, for FY '26 and '27?

Ashok Chandra: ROA, there had an improvement in this particular quarter, and we have already touched 1.05%. I'm expecting that there will be further movement will happen in the ROA front. And somewhere -- I think in the Q3 and Q4, it should be somewhere around 1.10% definitely we should be in a position to touch that. And the 2, 3 other points, like you asked about the ROE. We are already at 17.95% and which compared to the last year, if you see at the same time, a good improvement has happened in that particular concept.

Harsh Modi: So is the target to increase ROA year-on-year over the next 2 years? Or would you be comfortable staying range bound at current level of ROA for FY '26 and '27? The reason I'm asking this is some of the comments from policymakers suggest there is a renewed focus on

increasing returns at the PSU banks in India. And to what extent that boils down to your target? That's what I'm after, sir.

Ashok Chandra: See, why we are all bullish about the ROA going forward is that with the existing 100 basis point rate cut in the repo and which we have factored now, with all those things, we are at 1.05%. Going forward, when the entire deposit will be repriced, and I am expecting that my NIM and the NII also will improve.

So overall, profitability is also likely to improve. So I'm expecting that somewhere in the range of, in this financial year, we will be touching around 1.10%. And going forward, definitely, there has to be some improvement over that figure. I cannot give you the actual number, but definitely, it will be more than 1.10%.

Moderator: Next question comes from the line of Ankit with ANB Investments.

Ankit: Sir, on your numbers, sir, slippages have increased in this quarter. Any reason, sir? Next -- back quarter, you have said some one-off accounts. But this time, quarter-on-quarter, it has increased. How is the pattern going? Can you please explain?

Ashok Chandra: Our turn is, absolutely, there is nothing to worry about the slippages. If you see this quarter also, the slippage is only INR1,955 crores. Last year -- last quarter, it was INR1,886 crores. So we are in the range of around INR1,800 crores to INR2,000 crores. And last year, during the same period, our slippages were more than INR2,100 crores.

So slippages are fully under control and with a loan book of INR11,69,000 crores. See, as of now, the slippages, if I annualize it, it comes to 0.71%. The guidances we have given is less than 1%. So we are well within the guidance, and we are well under the control under the slippages management. I don't see any challenges happening anywhere now.

Ankit: Okay. Sir, how are you seeing the business momentum among different verticals like energy sector, steel sector? Are their NPAs increasing? Or how is the sentiment of the customer? Are they willing to invest or willing to take loans? What is the environment currently in the business economic environment?

Ashok Chandra: See, first of all, I will tell you the total loan sanction for which we are waiting for the disbursement to happen in the phased manner. That amount is INR1.78 trillion in our bank as on today. And I'm expecting that all those disbursements will happen. And this constitutes the various segments of the corporate loan book now. So we are expecting that the -- there has to be a good corporate loan book growth in the Q3 and Q4 because of the sanctions which are already there.

Now, what we are seeing is that the overall growth, which is happening in the retail, agri and MSME, that is in the range of around 16% to 17%. Like MSME is growing at more than 18% - 18.6% was the growth rate in this quarter. Retail excl. IBPC is growing more than 17%. Agri is growing at 13%. And all those things are still the GST impact has not been factored because

GST rate cut happened in September. So overall, the GST rate impact also, I'm expecting that on the RAM book will come to 1% to 2%.

So overall, the outlook is very bullish, and there is no dearth of proposal happening. Second important factor is, as on today, none of my corporate book is even appearing in the SMA-0. So that is the quality of the corporate loans, which is happening in the system now.

Ankit: Sir, I'm asking like sector-wise like energy sector, which sector are you more bullish, like energy, steel or infra? How advances are you seeing in different, different sectors like this? Like in energy, you have tied up with IREDA for loans...

Ashok Chandra: I will give you the figure also. See, like infrastructure, we are growing at more than 9% Y-o-Y, if you see. Renewal energy is one of the champion sector for our bank. So there are proposals from the infrastructure, the road projects, the renewable energy, even the steel sector also, we have got some 2, 3 good proposals now. So all put together, there has been a good traction and good proposals coming from across the industry now.

Moderator: Next question comes from the line of Ashlesh Sonje with Kotak Securities.

Ashlesh Sonje: Sir, I have a few questions. I hope I'm audible. I'm just listing out the questions for you upfront. Firstly, if you can share your assessment of the expected impact from the ECL transition? Secondly, if you can share the SMA-1 and SMA-2 book overall? Thirdly, if you can elaborate on the large provision -- NPA provision reversal, which you had and why have you added to the buffer of other provisions?

Then fourth one, your guidance. Just wanted clarity on the guidance which you have given for ROA. Did you say 1.1% for FY '26 because your first half ROA is about 80 basis points. And lastly, on AS 15 provisions that has declined nicely this quarter. Do you think you are well-provided there on AS 15? And what is the expected run rate going forward?

Ashok Chandra: Yes. First, I'll tell you about the ECL transition. And the final framework is yet to be prepared, but we have calculated the Stage 1 Stage 2 and Stage 3. Stage 1 almost the same provision is there, which is there in our standard assets and I don't see much challenges happening in the Stage 1. Stage 3 also since we have about 96% PCR, so Stage 3 also, there is absolutely no challenge. Stage 2, there is elevated provision is there, and 5% provision requirement is there in the different sectors.

And overall, all 3 sectors put together rough estimate is in the range of around 75 to 80 basis point impact will come on our CRAR. And we are well-prepared for that because anyway, that has to be split for 5 years. But before that itself, we have the enough cushion and the profit which is there in the system.

I think 80. 75 to 80 basis point likely impact which is going to come, we will be able to bridge those challenges and bridge those gaps. That is the first thing. SMA-0, 1, 2, all put together, we

have 5.75%. That is the total SMA book. SMA-0 is 3.67%. SMA-1 is 0.90%, and SMA-2 is 1.18%.

Third question is your NPA provision. See, we have the 96% provision coverage ratio. And whenever there is a recovery other than the TWO, then there is a large scale, the reversal of provision has happened. That is the write-back of provision. And in this quarter also, there is a write-back of provision has happened. In fact, in this particular quarter, we have provided around INR588 crores, this provision has happened.

But since the write-back of provision was quite high. And since we had around 96% provision coverage ratio, still, we have made some provisions, but there is a negative credit cost and that will be going to continue because we are having a good provision coverage ratio in the system. So that benefit will be there in the bank when anybody -- any bank is having good provision coverage ratio now. ROA last quarter, it was muted because I had already explained also that we had moved a onetime that exercise from the old tax regime to the new tax regime.

And when you are moving from the old tax to new tax, the DTA calculation rework has to be done, and there is a gap of 10%. The new tax is 25% and old tax was around 35%. So there is a gap of 10% is there. And when you do the recalculation of your DTA book, to that extent, you have to provide for the income tax, and that impact came from the INR3,200 crores.

If we would not have gone for the old tax -- the new tax regime, last quarter, also our profit would have been INR5,000 crores, and that is the reason our ROA in that particular quarter was lower than what you have seen in this particular quarter.

Now going forward, since we have moved to the new tax regime, every quarter, we have the benefit of 10% of -- in the operating profit now. So that impact this quarter also we have seen, and that is the reason -- that is one of the reasons why our ROA is more than 1%. And going forward, that is going to continue.

Your last point was AS 15 calculation, last financial -- last quarter, when we had calculated for the entire year, and this calculation is based on the -- the government securities yield, what has happened and actually and they calculate that entire year things now. Based on that, we had some elevated provision in the last quarter. But this particular quarter, you have seen that yield has gone up. And that is the reason the provision has come down in the AS 15.

And I don't see Q3 and Q4 any major challenge going to happen because of this provision which we have made in that. There is no question of our -- you should not understand that we have made any list provision. Rather, at this point of time, if the same -- the government securities rate prevails, we have made a full provision for the entire year.

Ashlesh Sonje:

Thank you, sir, for the elaborate response. If I may, just a couple of clarifications on those points. Firstly, there was a large other provision which you have made in the P&L line. So some clarity on that one. Secondly, the ECL impact which you said 75 to 80 basis points on CRAR, would you absorb it upfront, let's say, on the 1st of April through P&L? Because I understand there is

a 4-year window available for the capital impact, but the P&L impact would it come through immediately on the 1st of April '27?

Ashok Chandra: That's the call we need to take. We have not yet finalized that what we are going to do that. We will see how the fusion is there and how the profitability is there. We need to see all those factors because anyway, when the cushion is there for 5 years, depending upon the profit and the capital position, we will take a call. And if it is in our favor, definitely, we will take a call and we'll do that. So maybe at the end of the financial year only, we will be taking that call.

Ashlesh Sonje: The first question on other provision, if you can give some color.

Ashok Chandra: Other progress that is IL&FS, there is 1 account IL&FS 1 account was there, where the upgradation has happened in this quarter. But that was the NPA accounts, and that provision has moved from NPA accounts to the standard assets. That is the reason you are seeing the other provision going up now.

Ashlesh Sonje: So on the NPA provision, you have had a reversal. And then standard asset, you have added the provision. Is that correct?

Ashok Chandra: Yes, yes. Correct, correct.

Ashlesh Sonje: And that standard asset provision also you mentioned to, I think, Mahrukh or someone earlier that the standard asset provision also is likely to get reversed at some point?

Ashok Chandra: Absolutely. Because this was the NPA account and still we have not taken -- write-back we have not taken in our OP or the write-back of provision. So that call we will take depending upon our position.

Moderator: Next question comes from the line of Yash Agarwal with UBS Securities.

Yash Agarwal: Yes, sir. My questions have been answered. Thank you.

Ashok Chandra: Thank you.

Moderator: Next question comes from the line of Vansh Solanki with RSPN Ventures.

Vansh Solanki: Sir, my questions are on PSB merger which the government has recently announced. So any communication for a recent government to bank or any internal news about this?

Ashok Chandra: I'm also hearing from you. So we need to wait and find out.

Vansh Solanki: Okay. And RBI also given new circular about M&A finance. So bank is going to in that field also?

Ashok Chandra: That is a very good scope for all the leading public sector banks in the country -- leading banks in the country. And I had just done one calculation that last year, in the '24 -- '23, '24 financial

year total INR10 lakh crores of the merger and acquisition has happened. And in that, if you take the 40% debt component, that comes to the INR4 lakh crores even if conservative, I estimate that 30% of that debt will be funded by the bank like ours, that amount comes to INR120,000 crores of scope that is there in the merger and acquisition funding now.

So what we'll do now, we are all -- some big banks, we will sit together and find out the strategy for that because we need to have a proper policy in place because this was earlier not permitted by RBI. So definitely, we will find out and we will go for a proper policy. And in that space, definitely PNB will play some bigger role in that.

Moderator: Next question comes from the line of Zhixuan Gao with Schonfeld.

Zhixuan Gao: Congratulation on a good quarter. Just a follow-up on the previous participant's question on the other provision. Just want to clarify. So the entire INR1,500 crores provision there is because of the IL&FS provision and the INR1,500 crores was reversed out of your NPA provision, right? So your NPA provision shown on the slide is negative INR600 crores. So the actual NPA provision is negative INR600 crores plus INR1,500 crores.

Ashok Chandra: No, that 1 account provision, which has moved from the NPA to the standard assets. So that constitutes around INR1,200 crores. That is one component is there. And that we have not factored it as a write-back of provision that has moved from NPA to the standard assets, and overall, the negative in the credit cost that which you are seeing is INR639 crores, in fact, we have made a provision in this particular quarter also to the extent of INR588 crores in the NPA accounts.

And that is the reason you are seeing that our provision coverage ratio has also gone from 96.7% to 96.9%. So we have improved our -- the PCR level also. And overall, our -- the credit cost because of these things has come down and it has gone to the negative now.

Zhixuan Gao: So INR1,200 crores is that account movement. What's the other INR300 crores in the others provision?

Ashok Chandra: You have that data? My CFO is there. I think he will just give you that figure.

Raman Grover: Sir, actually, this is a continuing provision about to the extent of INR187 crores which we made, I think, probably during the COVID times, which is continuing. Apart from which sir has supplemented that IL&FS switch over from the standard to the other provisions is continuing and the balances of the IL&FS upgradation from the standard. So since we will be taking the call on the release of those provisions in the time to come, maybe quarter 3 to quarter -- current quarter or the coming quarters. So we are continuing as of now.

Moderator: Next question comes from the line of Vinayak Agarwal with Jefferies.

Vinayak Agarwal: Most of my questions have been answered, so I have just one. If you could kindly clarify the estimated profit from sale of stake in Canara HSBC Life.

- Ashok Chandra:** That is around INR900 crores.
- Moderator:** Next question comes from the line of Yash with Citigroup.
- Yash:** Sir, just one question, largely on your NIM clarification. If you could just see like 10 to 15 basis points of cumulative sequential expansion what we have asked for. So what proportion of deposits are still to reprice? So you've seen -- year-to-date, over 4Q, we've seen around 18 basis points of benefit flowing in the cost of deposits. And we are largely left with -- on the asset side with the 27% of MCLR book, so how much more deposit repricing would be available to us?
- Ashok Chandra:** See, around 60% of our -- the term deposit, which was there for a maturity period of around 4 months, 6 months and 1 year. That has been repriced. And the remaining 30% to 40%, we are expecting that it will happen in the Q3 and early part of Q4. And that is the reason I'm telling that. Those impact we will be seeing on the NIM and the NII in the Q3 and Q4. Definitely, there will be some improvement in the NIM and NII.
- Yash:** And sir, with this loan growth guidance of 11%. So after this particular quarter, so the ask rate is slightly lower. So do we see any upward sort of risk to the guidance or like would it be higher than 11%?
- Ashok Chandra:** In credit, you are talking 11%?
- Yash:** Yes. In the credit growth, given our expanded or increased sanction pipeline as well, considering that...
- Ashok Chandra:** Credit growth, see the RAM, Retail, Agri and MSME, all these things are happening at more than 15%. The MSME is 18%. The agri is 13% and the retail excl. IBPC is 18%. So only the corporate loan book, which was very muted in the first quarter, In this quarter itself, had shown Q-o-Q growth of 3% and overall Y-o-Y growth of 7.9%.
- And we have 178,000 Sanction book for which the disbursement I'm expecting to happen in the Q3, Q4 onwards now. So all put together, I am expecting that, yes, there has to be some good growth. The moment of the corporate loan book goes to 10%, I think my overall credit growth will be more than 12% to 13%.
- Moderator:** The next question comes from the line of Sunil C Choksey with Indus Equity Advisors.
- Sushil Choksey:** Congratulations to PNB management for very stable and a positive result and outlook, and happy Dhanteras and happy Diwali to all. Sir, my first question is you replied to M&A financing that the big banks are working together, or is it a coordinated effort or IBA? Can you clarify what you mean by that coordinated or discussion?
- Ashok Chandra:** Yes. I think we will have to explore through the IBA also. Otherwise, also some big banks -- 4, 5 big banks in the country. We will be proposing to come together and do for financing to this particular area because the opportunities are very high and the scale will also be very high. So if

2, 3 banks put together, if we come out collectively, I think definitely, we can take a bigger pie in this particular sector.

Sushil Choksey: It will be some joint lending or a consortium kind of a program. That's what I understand.

Ashok Chandra: It will be like that, definitely.

Sushil Choksey: Sir, in the same RBI meeting, also banks were permitted to lend for retail share advance up to INR1 crores against INR2 million IPO financing is bank planning -- because the margins are very stable at around 10% or in double digits, a little higher than that. Is bank planning to do anything on that product?

Ashok Chandra: We are trying to come into this particular area now. And in fact, the IPO financing limit also for the individual -- per person has also improved from INR10 lakh to INR25 lakh, and we are seeing the good IPO happening in the country, a lot of the new corporates are coming in the IPO market. And we are seeing a good opportunity. So definitely, we will be coming out with a separate policy for this financing.

Sushil Choksey: You highlighted in your opening remarks and even in Q&A that your retail, RAM, other sector growth all above 15%, and you see that sustaining, and you have great corporate growth pipeline sanctioned, but unavailed is approximately INR180,000 crores. By any chance, can you indicate what kind of sectors? And where are you seeing the green shoot other than renewables where these advances are concerned?

Ashok Chandra: One is that infrastructure sector like other than renewable, if I can talk, the telecommunication also, we have got some proposal. Roads and the ports, ports also, there are some proposals there we are given. Power we are given now. Even 1 data center. That is one area that has picked up very well, and we have got some good proposals in that. Engineering sector, I think various sectors put together, this book comprises of many sectors put together, and this is -- that amount is around INR128,000 crores.

Sushil Choksey: Is it more of private sector capex or public sector?

Ashok Chandra: No, mainly private sector capex. And we are putting a lot of focus on the project financing because that is one area PNB had the niche and we are coming back in that particular area. 40% of this particular book is the project financing.

Sushil Choksey: What is the digital spend likely to be this year specifically related to RAM and retail book?

Ashok Chandra: Digital?

Sushil Choksey: What is your digital annual budget and spend for the year?

Ashok Chandra: Digital, yes, for this year, financial year, both capex and the revenue expenditure put together is INR3,500 crores is the budget for this particular financial year.

- Sushil Choksey:** How much have we spent in first half, sir?
- Ashok Chandra:** I think around 25% to 30%, we would have done that. Yes, 30% we have achieved.
- Sushil Choksey:** You also said that your margins would improve by 5 bps in the current quarter and 10 bps in the fourth quarter. This is keeping in mind the advances that current number. Do you see led by government of India measures like GST was concerned, as M&A activities concerned, some other new products are concerned. Margins can have a higher uptick compared to your estimate?
- Ashok Chandra:** I think for Q3 and Q4, the estimate which I have given, I will be holding to that level. We can see all those impacts in the '26 to '27 financial year going forward.
- Moderator:** Next question comes from the line of Abhishek Agarwal with Investec.
- Abhishek Agarwal:** So last quarter, you had mentioned that the AFS reserve outstanding is roughly INR800 crores. So just wanted to know what would be the number this quarter?
- Ashok Chandra:** INR700 crores provision, which we have made in this particular quarter now.
- Abhishek Agarwal:** So the outstanding amount is INR700 crores?
- Ashok Chandra:** Yes.
- Abhishek Agarwal:** And what's your outlook on treasury profit from here? And how do you think the management would use treasury as a lever to support ROAs?
- Ashok Chandra:** See, if you see our performance in the treasury income, Q1 and Q2, both the quarters, we have maintained a good stream now. INR1,800 crores was the treasury profit in Q1 and in this particular quarter also, the treasury income all put together is around INR1,800 crores. So the same flow is there in this particular quarter.
- Q3 also, I think let us wait and see how the bond movement happens, and depending upon the bond movement, I think we can find out the actual, what is a traction that is going to happen. But somewhere definitely around INR1,500 crores, that is the minimum treasury gain, we will be holding it.
- Moderator:** Next question comes from the line of Sucrit D Patil with Eyesight Fintrade Private Limited.
- Sucrit Patil:** My question to you, Mr. Chandra is, PNB has outlined its focus on digital transformation and expanding the retail penetration, what are the biggest execution challenges you foresee in delivering this, especially in terms of legacy system integration and customer onboarding and talent readiness. How is the bank prepared to overcome these challenges by still maintaining service quality and regulatory compliance?

Ashok Chandra: Yes. See, bank is coming out with a lot of digital initiatives, but just the challenge is how to educate the people how we can inform them that, yes, these are the channels which is available. That is one of the biggest challenge.

And for that, we are coming out with the initiative, and that's also one of the digital channels which we are using it, we have launched a GenAI-based PIHU chatbot at our website and the other channels with customer-facing channels, there, the people can ask anything and the PIHU will give the reply that what are the things that it needs to be done. That is one thing.

Second, we are moving out in the field, conducting the outreach activity. And there also, we are bringing out this initiatives which the bank has come out. So creating awareness through the social media, through the personally, physically reaching out to the people and making them comfortable that yes, this is a very, very easy and convenient way of doing the things now.

So these are the ways which we are popularizing it. The third important factor about the robustness of our system and the legacy system, which we are talking about. In fact, we have -- we are shifting our -- the data center to the new center at Gurgaon, where infrastructure is the world class now. Almost infrastructure is ready and somewhere in the month of March or April, we will be shifting our entire data center with a very robust cybersecurity framework our own private cloud space is there.

So that center will enhance our -- the legacy system also and the speed with which we are doing the business, I think that also will go up.

Sucrit Patil: Okay. And the final question, coming to credit growth. Now with credit growth picking up across MSME and retail segment. How are you balancing growth with risk management, especially in the area of unsecured lending and stressed sectors. What are the internal frameworks PNB is focusing on to secure your portfolio health?

Ashok Chandra: Unsecured market, bank is not very active. We are doing unsecured lending only to the -- there are 3 segments. One is that personal loan and in the personal loan also, it is restricted to those people whose salary comes to the bank. So it is -- the classification is unsecured, but it is fully protected, and we don't see any much challenge in that particular segment.

Second unsecured loan is the education loan. And there, you have the guarantee from the government also is there. And that portfolio is also behaving very well. We don't see any much challenge in that. Third portfolio is the credit card business. And that portfolio is very, very stable. I don't see much challenge happening because of the unsecured advances of our bank now.

Sucrit Patil: I think this is a good enough guidance. I wish the entire team happy Diwali and best of luck for the next Q3.

Ashok Chandra: Happy Diwali to you also.

- Moderator:** Next question comes from the line of Shreejit Nair with B&K Securities.
- Shreejit Nair:** You mentioned that INR1,200 crores of NPA provision has moved to standard asset provision. Did I heard that correct?
- Ashok Chandra:** Yes, yes.
- Shreejit Nair:** And these provisions are against which accounts and if I...
- Ashok Chandra:** This is one account, one big account was there, in that particular account. And these are very legacy accounts, which got upgraded. So we are holding the provision in that particular account.
- Shreejit Nair:** Okay. So this is not IL&FS?
- Ashok Chandra:** You know the things.
- Shreejit Nair:** And secondly, one, you mentioned that treasury income would be around INR1,500 crores. This is for like every quarter, are you saying?
- Ashok Chandra:** Yes, yes, every quarter because Q1 also, we had INR1,800 crores of treasury income. Q2 also, we have around INR1,790 crores, so almost INR1,800 crores and we have enough book under that -- INR5 trillion book is there under the treasury. So definitely, we will be able to at least make an income of INR1,500 crores in every quarter.
- Moderator:** Next question comes from the line of Ashok M Ajmera from Ajcon Global.
- Ashok Ajmera:** Thanks for giving this opportunity again. And sir, very, very exhaustive replies and very satisfactory replies of all my colleagues and you have covered almost everything. Just one small little feedback from you. Sir, because of the old past legacy of PNB and those issues which were there few years back, we are into the -- still the gross NPA zone of almost about 3.5% now though it has come down from 5% in the Q1 of '25 to now 3.5%, so are you -- do you intend to accelerate the fall in the gross NPA?
- And any target on that so that we come in that comfortable zone of maybe below 2, 2.5 or something and that even aging also provisions and other things also can be softened because of that? And second is overall, your views -- some of the questions in between, I might have missed also because I was on some other call also for some time.
- So on the NIM, the overall, sir, we are -- I mean, from 3.07% in Q1, '25 to now today, we are at 2.60, going 2.92, 2.93, 2.81, 2.70 and 2.60. So on these 2, sir, if you can give some broader color on that and in which direction and how are we moving in that direction, sir?
- Ashok Chandra:** Yes, yes. I will touch first about the asset quality. First point is net NPA percentage, if you see, we have come down to 0.38%. And the guidance for this entire year is 0.35%. And definitely, we are going to do that. We will be well below 0.35%. Provision coverage ratio, we are at 96%, so well provided.

Gross NPA, we are at 3.45% and the guidance for this entire year, what we have given is below 3%, and we are going to achieve that guidance. Going forward, '26, '27, I think again we will come out with a new strategy. And there, we will indicate that how we are going to move forward. But I am very confident that since for the last 2 years, quarter-to-quarter, if you see, the recovery in every quarter is higher than the slippages.

In this particular quarter also, if I exclude the TWO part, still our recovery, INR2,700 crores, INR2,800 crores is the recovery under the upgradation, yes, upgradation and the cash recovery which is higher than the slippages which has happened to the tune of INR1,900 crores. So even if I exclude that TWO recovery and recovery in the interest income, still our recovery is higher than the interest -- the slippages. And this trend is going to continue.

So on our own, we are going to reduce that. And then the technical write-off. If you see in this quarter, hardly, we have used only INR1,200 crores of technical write-off. And we have -- the net NPA-wise absolute number is only INR4,000 crores now. So our 1 quarter profit is sufficient to take care of the entire net NPA, and we can make a zero NPA bank now. So NPA-wise, we are well provided. Asset is doing very well.

I told you that none of my corporate book is -- even the SMA is 0 now. So I think credit writing has improved. And for the last -- in my opening remarks also, I had mentioned that for the last 5 years, how my sanction book is behaving. Hardly the NPA percentage in the last 5 years, sanction book is 1.40%, I think that gives you comfort that, yes, book is behaving well. And going forward also, there will not be any challenge on our gross NPA and Net NPA.

Second part -- second your question was NIM. Yes, the impact of the repo cost has already happened in the Q1 and Q2. And the repricing of deposits has already started and more than I think a bigger book has already been repriced. I'm expecting that in the Q3, around 70% to 80% of the term deposit of 1 year will get repriced.

And definitely, we will have the benefit under the NIM and the NII in the Q3 and Q4. And that is the basis on which I'm telling that at least by 5% -- 5 basis points the ROA will improve in this particular quarter Q3 and around 10 basis points in the Q4.

Ashok Ajmera: Is around 1.10 -- 1.09% ROA...

Ashok Chandra: It will be around, yes, yes, it will be around 1.10%.

Ashok Ajmera: And the NIM improvements are, again, 10, 15 basis points?

Ashok Chandra: Yes, yes, yes. Around 15 basis points, definitely, it will happen.

Moderator: Ladies and gentlemen, due to time constraints, we have reached the end of question-and-answer session. I would now like to hand the conference over to the management for closing comments.

Ashok Chandra: Yes. Bank is doing very well for the last 2 years. quarter-to-quarter, if you see the performance, there has been a consistency there in the performance and the quality -- the asset to control-wise, asset quality, overall growth, I think we are all poised for a good performance, both in the top line and the bottom line. And my request to all my analyst friends that you should report in our performance. We will continue to deliver better and better, all my good wishes and all the best for the Diwali festival to you and your family members. Thank you very much.

Moderator: Thank you. On behalf of Elara Capital, that concludes this conference. Thank you for joining us. You may now disconnect your lines.