PUNJAB NATIONAL BANK
Pillar 3 Disclosures (consolidated) under Basel III Framework as on 30.06.2026

Punjab National Bank (herein after referred to as the 'Bank') is the top consolidated entity in the Banking group to which the Capital Adequacy Framework under Basel III applies. The consolidated financial statements of the group conform, in all material aspects, to Generally Accepted Accounting Principles (GAAP) in India, encompassing applicable statutory provisions, regulatory norms prescribed by Reserve Bank of India (RBI), circulars and guidelines issued by RBI from time to time, Banking Regulation Act 1949, Companies Act, 2013, Accounting Standards (AS) and pronouncements issued by The Institute of Chartered Accountants of India (ICAI) and prevailing practices in Banking industry in India.

Table DF-1: Scope of Application

(i) Qualitative Disclosures:

(a) List of group entities considered for consolidation

- For accounting scope of consolidation, all the group entities of the Bank are considered for consolidation in accordance with AS 21, Consolidated Financial Statements and AS 23, Accounting for Investments in Consolidated Financial Statements.
- For regulatory scope of consolidation, all the group entities, except insurance and non-financial subsidiaries / joint ventures / associates, are fully consolidated for the purpose of capital adequacy. Regulatory scope of consolidation refers to consolidation in such a way as to result in the assets of the underlying group entities being included in the calculation of consolidated risk- weighted assets of the group.

Name of the entity & Country of incorporation	Whether the entity is included under accounting scope of consolidation (Yes/No)	Explain the method of consolidation	Whether the entity is included under regulatory scope of consolidation (Yes/No)	Explain the method of consolidation	Explain the Reasons for difference in the method of consolidation	Explain the Reasons if consolidated under only one of the scopes of consolidation
PNB Gilts Ltd. (India)	Yes	Consolidated in accordance with AS-21,	Yes	Consolidated in accordan	Not Applicable	

Name of the entity & Country of incorporation	Whether the entity is included under accounting scope of consolidation (Yes/No)	Explain the method of consolidation	Whether the entity is included under regulatory scope of consolidation (Yes/No)	Explain the method of consolidation	Explain the Reasons for difference in the method of consolidation	Explain the Reasons if consolidated under only one of the scopes of consolidation
		Consolidated Financial Statements		ce with AS-21, Consolidated Financial Statements		
PNB Investment Services Ltd. (India)	Yes	Consolidated in accordance with AS-21, Consolidated Financial Statements	Yes	Consolidated in accordance with AS-21, Consolidated Financial Statements	Not Applicable	
Punjab National Bank (International) Ltd. (U.K.)	Yes	Consolidated in accordance with AS-21, Consolidated Financial Statements	Yes	Consolidated in accordance with AS-21, Consolidated Financial Statements	Not Applicable	
Druk PNB Bank Ltd (Bhutan)	Yes	Consolidated in accordance with AS-21, Consolidated	Yes	Consolidated in accordance with	Not Applicable	

Name of the entity & Country of incorporation	Whether the entity is included under accounting scope of consolidation (Yes/No)	Explain the method of consolidation	Whether the entity is included under regulatory scope of consolidation (Yes/No)	Explain the method of consolidation	Explain the Reasons for difference in the method of consolidation	Explain the Reasons if consolidated under only one of the scopes of consolidation
		Financial Statements		AS-21, Consolidated Financial Statements		
PNB Cards and Services Ltd. (India)	Yes	Consolidated in accordance with AS-21, Consolidated Financial Statements	No	Not applicable	In terms of Prudential Norms on Capital Adequacy: Chapter 2 (B) 8 (6): Non-Financial subsidiary should not be consolidated for the purpose of capital adequacy. Hence, not under the Scope of regulatory	
PNB MetLife India Insurance Co Ltd (India)	Yes	Consolidated in accordance with AS-23, Accounting for Investments in Associates in Consolidated Financial Statements	No	Not applicable		Associate : Not under the Scope of regulatory Consolidation
PNB Housing Finance Ltd, (India)	Yes	Consolidated in accordance with AS-23, Accounting for Investments in	No	Not applicable		Associate : Not under the Scope of regulatory

Name of the entity & Country of incorporation	Whether the entity is included under accounting scope of consolidation (Yes/No)	Explain the method of consolidation	Whether the entity is included under regulatory scope of consolidation (Yes/No)	Explain the method of consolidation	Explain the Reasons for difference in the method of consolidation	Explain the Reasons if consolidated under only one of the scopes of consolidation
		Associates in Consolidated Financial Statements				Consolidation
Bihar Gramin Bank, (India)	Yes	Consolidated in accordance with AS-23, Accounting for Investments in Associates in Consolidated Financial Statements	No	Not applicable		Associate : Not under the Scope of regulatory Consolidation
Haryana Gramin Bank, (India)	Yes	Consolidated in accordance with AS-23, Accounting for Investments in Associates in Consolidated Financial Statements	No	Not applicable		Associate : Not under the Scope of regulatory Consolidation
Himachal Pradesh Gramin Bank, (India)	Yes	Consolidated in accordance with AS-23, Accounting for Investments in Associates in Consolidated Financial Statements	No	Not applicable		Associate : Not under the Scope of regulatory Consolidation

Name of the entity & Country of incorporation	Whether the entity is included under accounting scope of consolidation (Yes/No)	Explain the method of consolidation	Whether the entity is included under regulatory scope of consolidation (Yes/No)	Explain the method of consolidation	Explain the Reasons for difference in the method of consolidation	Explain the Reasons if consolidated under only one of the scopes of consolidation
Punjab Gramin Bank, (India)	Yes	Consolidated in accordance with AS-23, Accounting for Investments in Associates in Consolidated Financial Statements	No	Not applicable		Associate : Not under the Scope of regulatory Consolidation
Assam Gramin Vikas Bank, (India)	Yes	Consolidated in accordance with AS-23, Accounting for Investments in Associates in Consolidated Financial Statements	No	Not applicable		Associate : Not under the Scope of regulatory Consolidation
West Bengal Gramin Vikas Bank, (India)	Yes	Consolidated in accordance with AS-23, Accounting for Investments in Associates in Consolidated Financial Statements	No	Not applicable		Associate : Not under the Scope of regulatory Consolidation
Manipur Rural Bank, (India)	Yes	Consolidated in accordance with AS-23, Accounting for	No	Not applicable		Associate : Not under the Scope of

Name of the entity & Country of incorporation	Whether the entity is included under accounting scope of consolidation (Yes/No)	Explain the method of consolidation	Whether the entity is included under regulatory scope of consolidation (Yes/No)	Explain the method of consolidation	Explain the Reasons for difference in the method of consolidation	Explain the Reasons if consolidated under only one of the scopes of consolidation
		Investments in Associates in Consolidated Financial Statements				regulatory Consolidation
Tripura Gramin Bank, (India)	Yes	Consolidated in accordance with AS-23, Accounting for Investments in Associates in Consolidated Financial Statements	No	Not applicable		Associate : Not under the Scope of regulatory Consolidation
Everest Bank Ltd., (Nepal)	Yes	Consolidated in accordance with AS-23, Accounting for Investments in Associates in Consolidated Financial Statements	No	Not applicable		Associate : Not under the Scope of regulatory Consolidation
JSC Tengri Bank, Almaty, (Kazakhstan) $	No	Not applicable	No	Not applicable		

$Agency of the Republic of Kazakhstan revoked license of JSC Tengri Bank w.e.f. 18th September, 2020 and is under liquidation.

(b) List of group entities not considered for consolidation both under accounting and regulatory scope of consolidation.

(Rs. in millions)

Name of the entity & Country of Incorporation	Principle activity of the entity	Total balance sheet equity (as stated in the accounting balance sheet)	% of bank's Holding in the total equity	Regulatory treatment of bank's investments in the capital instruments of the entity	Total balance sheet assets (as stated in the accounting balance sheet)
Nil					

(ii) Quantitative Disclosures:

(a) List of group entities considered for consolidation.

(Rs. in millions)

Name of the entity & Country of incorporation	Principle activity of the entity	Total balance sheet equity (As per accounting balance sheet)*	Total balance sheet Assets (As per accounting balance sheet)
PNB Gilts Ltd. (India)	Primary Dealer	17935.02	269285.00
PNB Investment Services Ltd. (India)	Merchant Banking, Corporate Advisory & Debenture Trustee & Security Trustee	575.82	622.23
Punjab National Bank (International) Ltd. (U.K.)	Banking	14463.39	141343.52
Druk PNB Bank Ltd. (Bhutan)	Banking	4134.03	36205.84

*comprises equity share capital and reserves & surplus

(b) The aggregate amount of capital deficiencies in all subsidiaries which are not included in the regulatory scope of consolidation i.e., that are deducted

(Rs. in millions)

Name of the entity & Country of incorporation	Principle activity of the entity	Total balance sheet equity (As per accounting balance sheet)	% of bank's holding in the total equity	Capital deficiencies
Nil				

(c) The aggregate amounts (e.g. current book value) of the Bank's total interests in insurance entities, which are risk-weighted:

(Rs. in millions)

Name of the Insurance entities / country of incorporation	Principle activity of the entity	Total balance sheet equity (as per accounting Balance sheet)*	% of Bank's Holding in the Total equity / Proportion of voting power	Quantitative Impact on regulatory capital of using risk weighting method versus using the full deduction method
PNB Metlife India Insurance Company Ltd (India)	Life Insurance/ Bancassurance	27788.6	30%	Insignificant impact with either method

*comprises equity share capital and reserves & surplus

(d) **Any restrictions or impediments on transfer of funds or regulatory capital within the banking group:**

With regard to restriction and impediments, local laws and regulations of host countries are applicable

Table DF-2: Capital Adequacy

Qualitative Disclosures:
(a)

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), Market Risk Management Committee (MRMC), Group Risk Management Committee (GRMC), Sustainability and Resilience Committee (SARC) 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 feedback 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 To provide a robust risk management structure, the Credit Risk Management 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 Risk Management 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 and documentation practice.

Centralized Rating Cells (CRCs) have been set up at Gurugram and Panchkula in place of ZRMCs. The new risk assessment structure continues focus on complete segregation of credit risk assessment system from credit underwriting by centralizing the risk rating process under direct control of Integrated Risk Management Division at Head Office, whereas the credit delivery system shall continue through business delivery structure of credit verticals and zones.

The centralization of credit risk rating will improve efficient risk assessment and third eye view-based calculation of risk over a borrowing entity, its business and credit proposal. It will also enable credit delivery structure as business assessment centre in true sense while establishing risk assessment process through CRC as risk analyzer.

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 ₹ 10 lacs to ₹ 1 Crore through PNB Loan Point (PLP) in respect of Retail, Agriculture and MSME segments. Mid Corporate Centres (MCC) shall sanction loans above ₹ 1 crore upto 10 Crores. Corporate Banking Branches (CBBs) shall handle Non Retail Credit proposals above ₹ 10 Crores and MCBs (Mid Corporate Branches) shall manage loan above ₹ 50 Crores to ₹ 300 Crores. LCB (Large Corporate Branches) & ELCBs (Extra Large Corporate Branches) for loans above ₹ 300 Crores and ₹ 500 Crores respectively have been put in place. All loan proposals falling under the powers of MCC, Circle Office, 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 applicable to all borrowers with total limits above ₹100 Lacs w.e.f. 07.05.2022 (previously the minimum threshold for considering Internal Risk Ratings was above ₹50 Lacs). Bank is undertaking periodic validation exercise of its rating models and also conducting migration of Internal Risk Ratings and default rate analysis to test robustness of its internal risk rating models.

Small & Medium Enterprise (SME), Retail advances and lending to agriculture are subjected to scorecard assessment which support “Accept/ Reject” decisions based on the scores obtained. All eligible SME, Retail loan and Agriculture lending applications are necessarily to be evaluated under score card system. All rating models/ scorecards developed by the bank are online at bank’s central server network and can be accessed through any office of the bank. Additionally, bank has also developed score cards, for evaluating lending proposals under other schemes/ product arrangements such as co-lending arrangement with NBFCs, digital lending & credit cards and these are placed within the portals being utilized for these products/ arrangements.

To strengthen the credit monitoring landscape, the Bank has implemented PNB SAJAG 2.0, a digitized and automated Early Warning Signal (EWS) system, which monitors all eligible borrowal accounts through 130+ Early Warning Signals (including 42 EWS prescribed by RBI and 85 EWS prescribed by DFS), powered by automated and continuous flow of both internal and external data sources.

In addition to the EWS alerts, PNB SAJAG 2.0 also incorporates 29 override parameters to highlight critical risk indicators, which, upon invocation, escalate the borrower’s EWS score to predefined levels. The alerts have been categorized into four severity levels, viz. Critical, High, Medium and Low, with prescribed timelines for closure of alerts under each category.

Further, PNB SAJAG 2.0 provides a comprehensive, integrated and one-stop solution for field functionaries by offering a quick snapshot as well as detailed borrower-level analysis, including last five years’ financials, key financial ratios, suspicious and round-tripping transactions, transactions with suppliers and clients and cases pending before NCLT, among others.

The system also provides intuitive graphical trend analysis on key risk indicators such as transaction count, Drawing Power and key financial ratios, thereby enabling a 360-degree view of the borrower and offering a panoramic view of the entire portfolio. This enables users to derive critical insights from a single platform and supports informed and timely decision-making.

The application has been reinforced as the Bank’s unified and powerful early-warning engine, playing a pivotal role in NPA prevention, operational efficiency and strengthening of monitoring discipline. By fostering a culture of proactive oversight, SAJAG 2.0 enhances credit risk management and supports the creation of a resilient asset quality framework across the Bank.

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 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 half yearly basis to analyze mix of quality of assets etc.

2.1.7 The Bank has implemented the Standardized Approach of credit risk for RWA computation as per RBI extant 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. However, RBI, by letter dated 09.04.2025, directed discontinuation of the FIRB parallel run but allowed FIRB to be included in the bank's ICAAP at its discretion. Accordingly, the bank continues quarterly capital calculations under FIRB and includes those results in ICAAP but has stopped sharing FIRB status reports with RBI.

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

- For corporate asset class, bank has estimated the TTC-PD (Through the Cycle Probability of Default) based upon model wise default rates viz. Large Corporate, Mid Corporate and Small borrowers using Rating Migration Approach. 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.
- 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 are 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.
- For Low Default Portfolios, separate model has been deployed and PD is being estimated based on the same, tailored to the unique characteristics of these portfolios. Additionally, Bank has also developed Exposure at Default Model for corporates asset class-based utilizing internally estimated conversion factors to account for the undrawn portion of credit limits.

2.2 Market 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 a 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 limits 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.

2.3 Operational Risk

Basel Committee on Banking Supervision (BCBS) and subsequently Reserve Bank of India have defined Operational Risk (OR) as *“the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events”*. This definition includes legal risk but excludes strategic and reputational risk. The Bank has also adopted the same definition for management of operational risk within the Bank.

The Bank has a robust Operational Risk Management Policy, approved by the Board of Directors, which clearly defines roles and responsibilities at various levels to mitigate Operational Risk arising out of the Bank’s operations. The Bank adopts ‘Three Lines of Defence’ model for management of operational risk.

First Line of Defence is the Business & Support Divisions. These Divisions, being owner of various banking activities, take up management of Operational Risk within activities owned by them including identification, assessment, mitigation and monitoring of risk. They propagate Operational Risk Management (ORM) Policy as laid down by the Board. They analyse the findings of Risk & Control Self-Assessment (RCSA) Surveys, monitor Risk Indicators/Key Risk Indicators (RIs/KRIs) and Operational Loss events and initiate actions for strengthening internal processes.

Second Line of Defence comprises of Risk and Compliance Functions (which includes Integrated Risk Management Division, Compliance Division, Transaction Monitoring Division, Fraud Risk Management Division, and Cyber and Information Security Division). Integrated Risk Management Division is responsible for framing the Operational Risk Management Policy and associated Frameworks and ensuring their implementation. Operational Risk Management Department maintains a repository of Operational Risk Loss Data, KRIs, outcome of RCSA Surveys and uses the same for Operational Risk Assessment and Management.

Third Line of Defence comprises of Audit Function i.e. Inspection & Audit Division in the Bank, which is responsible for independent review and validation of Operational Risk Management Framework (ORMF) and Operational Risk Management Systems (ORMS) at Bank-wide level.

Governance and Organizational Structure for Managing Operational Risk:

Operational Risk Management Committee **(ORMC),** headed by MD & CEO, oversees the Bank's consolidated Operational Risk exposure, understand future challenges/threats, key Operational Risk Loss Events, review of Risk Profile, and approve suitable controls/ mitigations for managing Operational Risk.

Further, Business Continuity & Operational Resilience Committee **(BCORE)**, headed by Executive Director, is in place to oversee the Bank's Business Continuity & Operational Resilience through development, implementation, and maintenance of a robust Policy/Framework on Business Continuity Management & Operational Resilience

The Operational Risk Management Committee (ORMC) and Business Continuity & Operational Resilience Committee (BCORE) report to Risk Management Committee **(RMC)**, a sub-Committee of the Board, entrusted with overall Risk Management in the Bank.

An independent Operational Risk Management Department **(ORMD)** has been set up under Integrated Risk Management Division which reports to Group Chief Risk Officer. ORMD is responsible for implementation of Operational Risk Management Policies, taking measures for developing a strong risk culture among all employees and effective Operational Risk Management across the Bank. It works in co-ordination with the Business Divisions, Control Divisions and Support Divisions in the Bank.

With increasing digitization and growing role of IT in banking operations, the Bank has established dedicated IT Risk Management and Third-Party Risk Management verticals under ORMD to identify, assess, monitor and mitigate Information &

Communication Technology Risks and Third-Party Risks and strengthen Operational Resilience. To strengthen governance across products and processes, all products and processes are reviewed by the System and Product Approval Committee of Executives **(SPACE)** in terms of 'Policy for Approval of New Products' which clearly defines roles and responsibilities of the first, second and third lines of defence. The Bank has also implemented an Incident Reporting and Escalation Mechanism for reporting of Near-Miss events, Cyber-Security and other Operational Risk Incidents to strengthen internal controls and mitigate Operational Risk.

For management of Operational Risk by risk owners, each Division at Head Office has a Risk Assessment Committee **(RAC).** The Committee is headed by Divisional Head of the concerned division and is entrusted with identification, assessment, mitigation and monitoring of Operational Risk present in their existing/new products/services/processes/activities/systems.

In order to ensure completeness and correctness of Operational Risk Loss Data and also to inculcate Risk Culture deep down the ladder in the Bank, Committees named as 'Checks on Threats to Reduce Op-risk Losses **(CONTROL)**' and 'Joint Action Group on Op-risk Control **(JAGROC)**' have been formed at Circle Offices and Zonal Offices respectively, which identify and evaluate the internal and external factors that could adversely affect the achievement of Bank's performance, Corporate Goals, Information System, and Compliance Objective of the Bank.

Tools to measure & monitor Operational Risk:

Internal Control is an essential pre-requisite for efficient and effective Operational Risk Management. The 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. Apart from the Operational Risk Management (ORM) Policy and the Policy for approval of New Product, other established Frameworks/Policies for control and mitigation of Operational Risk include:

1) Policy for Business Continuity Management (BCM) & Operational Resilience.
2) Third Party Risk Management Policy
3) Loss Data Collection Framework
4) IT and Information Security Risk Management Framework
5) Risk & Control Self-Assessment (RCSA) Framework (It's a proactive exercise which helps in identifying control gaps and consequent actions proposed to close the gaps. RCSA is used for identification & mitigation of operational risks, reporting of control deficiencies, monitoring of changes in control environment and assessment of operational risk profile).
6) Business Line Mapping Framework.
7) Key Risk Indicator Framework (The indicators have been defined subject to annual review with threshold and monitoring mechanism. These indicators are metrics/ measures that are derived from various factors to indicate an early warning of or to monitor increasing risk or control failures in an activity).

8) Stress Testing/Scenario Analysis to assess the Operational Risk losses under certain stressed scenarios and resultant impact on capital requirements for Operational Risk as well as Capital Adequacy of the Bank.
9) Incident Reporting & Escalation Framework.
10) Framework for Enterprise-Wide ML/TF/PF Risk Assessment Methodology.
11) AI and ML Governance and Risk Management Framework.

Quantitative Disclosures:

(b) Capital requirement for credit risk:

(Rs. in millions)

Particulars	Amount
Portfolios subject to standardized approach	952512.44
Securitization exposures	0

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

(Rs. in millions)

Risk Category	Amount
i) Interest Rate Risk	6324.70
ii) Foreign Exchange Risk (including Gold)	1643.38
iii) Equity Risk	3212.86
Total capital charge for market risks under Standardized duration approach (i + ii + iii)	**11180.94**

(d) Capital requirement for operational risk:

(Rs. in millions)

Capital requirement for operational risk	Amount
i) Basic indicator approach	77099.79
ii) The Standardized approach (if applicable)	NA

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

Particulars	Standalone	Consolidated
Common equity Tier 1 Capital ratio	14.52%	14.52%
Tier 1 Capital ratio	16.03%	16.02%
Total Capital ratio (CRAR)	18.13%	18.11%

For Significant Bank Subsidiaries:

Name of subsidiary	Common equity Tier 1 Capital ratio	Tier 1 Capital ratio	Total Capital ratio (CRAR)
PNB Gilts Ltd	27.34%	27.34%	27.34%
Punjab National Bank (International) Ltd.	8.70%	10.97%	13.35%

Name of subsidiary	Common equity Tier 1 Capital ratio	Tier 1 Capital ratio	Total Capital ratio (CRAR)
PNB Investment Services Ltd.	NA	NA	NA
Druk PNB Bank Ltd.	15.40%	15.40%	16.15%

Table DF- 3: Credit Risk: General Disclosures

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 instalment 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 continuously for a period of 90 days

  Account will be treated out of order, if:

  - The outstanding balance in CC/OD accounts remains continuously in excess of the sanctioned limit/drawing power for 90 days, or
  - The outstanding balance in the CC/OD account is less than the sanctioned limit/drawing power but there are no credits continuously for 90 days, or the outstanding balance in the CC/OD account is less than the sanctioned limit/drawing power but credits are not enough to cover the interest debited during the previous 90 days period ('Previous 90 days period' shall be inclusive of the day for which the day-end process is being run).
- **iii.** In case of bills purchased & discounted, the bill remains overdue for a period of more than 90 days
- **iv.** The instalment or principal or interest thereon remains overdue for two crop seasons for short duration and the instalment of principal or interest thereon remains overdue for one crop season for long duration crops in case of Agricultural loans.

The classification of an assets as overdue/impaired, reflects the status of an account at the day-end of that calendar date, irrespective of the time of running of such processes

3.2 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.

Quantitative Disclosures

(b) The total gross credit risk exposures:

(Rs. in millions)

Category	Amount
Fund Based exposure	21606783.56
Non Fund Based exposure	1376999.01
Total gross credit risk exposure	**22983782.57**

Note: Exposure includes credit exposure (Funded and Non-funded) & investments (including placements, RIDF)

(c) The geographic distribution of exposures:

(Rs. in millions)

Category	Overseas	Domestic
Fund Based exposure	1363956.17	20242827.40
Non Fund Based exposure	745.21	1376253.80
Total gross credit risk exposure	**1364701.38**	**21619081.19**

(d) Industry type distribution of exposures

(i) Industry type fund based exposure is as under:

(Rs. in millions)

Industry Name	Amount
A. Mining and Quarrying	**30285.33**
A.1 Coal	20627.68
A.2 Others	9657.65
B. Food Processing	**283002.58**
B.1 Sugar	34622.81
B.2 Edible Oils and Vanaspati	28892.75
B.3 Tea	13453.21
B.4 Coffee	542.10
B.5 Others	205500.32
C. Beverages (excluding Tea & Coffee) and Tobacco	**7134.65**
C.1 Tobacco and tobacco products	47.64
C.2 Others	7087.02
D. Textiles	**175871.74**
D.1 Cotton	46716.32
D.2 Jute	245.19
D.3 Man-made	39212.79
D.4 Others	89697.44

Industry Name	**Amount**
E. Leather and Leather products	**16097.57**
F. Wood and Wood Products	**20101.63**
G. Paper and Paper Products	**38602.73**
H. Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	**296760.59**
I. Chemicals and Chemical Products (Dyes, Paints, etc.)	**125455.12**
I.1 Fertilizers	19081.15
I.2 Drugs and Pharmaceuticals	37447.33
I.3 Petro-chemicals (excluding under Infrastructure)	21536.01
I.4 Others	47390.63
J. Rubber, Plastic and their Products	**97299.70**
K. Glass & Glassware	**12556.15**
L. Cement and Cement Products	**44735.39**
M. Basic Metal and Metal Products	**298643.78**
M.1 Iron and Steel	258332.07
M.2 Other Metal and Metal Products	40311.72
N. All Engineering	**225583.47**
N.1 Electronics	23548.84
N.2 Others	202040.81
O. Vehicles, Vehicle Parts and Transport Equipments	**12264.44**
P. Gems and Jewellery	**22445.91**
Q. Construction	**33125.66**
R. Infrastructure	**1547696.52**
R.1 Energy	730477.66
R.2 Transport	633392.34
R.3 Communication	78048.12
R.4 Others	107518.23
S. Other Industries	**2363555.78**
All Industries (A to S)	**5652973.37**
T. Residuary other advances	**15953810.20**
Total fund based (Domestic + Overseas) exposure	**21606783.56**

Industry where Fund-Based Exposure is more than 5% of Gross Fund Based Exposure: **NIL**

Note: It includes Credit Exposure, Investments, RIDF, and placements.

(ii) Industry type non fund based exposure is as under:

(Rs. in millions)

Industry Name	**Amount**
A. Mining and Quarrying	**3016.21**
A.1 Coal	2407.76
A.2 Others	608.45

Industry Name	Amount
B. Food Processing	**47585.47**
B.1 Sugar	4767.66
B.2 Edible Oils and Vanaspati	11877.22
B.3 Tea	255.98
B.4 Coffee	14.20
B.5 Others	30670.41
C. Beverages (excluding Tea & Coffee) and Tobacco	**82.80**
C.1 Tobacco and tobacco products	0.00
C.2 Others	82.80
D. Textiles	**24391.04**
D.1 Cotton	4528.08
D.2 Jute	0.00
D.3 Man-made	8651.18
D.4 Others	11211.78
E. Leather and Leather products	**1652.40**
F. Wood and Wood Products	**3220.86**
G. Paper and Paper Products	**4266.75**
H. Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	**30600.81**
I. Chemicals and Chemical Products (Dyes, Paints, etc.)	**10093.69**
I.1 Fertilizers	13.17
I.2 Drugs and Pharmaceuticals	2476.23
I.3 Petro-chemicals (excluding under Infrastructure)	63.59
I.4 Others	7540.70
J. Rubber, Plastic and their Products	**8451.06**
K. Glass & Glassware	**4093.52**
L. Cement and Cement Products	**7492.57**
M. Basic Metal and Metal Products	**144718.62**
M.1 Iron and Steel	132795.20
M.2 Other Metal and Metal Products	11923.43
N. All Engineering	**194721.47**
N.1 Electronics	28095.64
N.2 Others	166625.83
O. Vehicles, Vehicle Parts and Transport Equipment’s	**2357.86**
P. Gems and Jewellery	**7.61**
Q. Construction	**87333.55**
R. Infrastructure	**272390.95**
R.1 Energy	110563.98
R.2 Transport	90007.11
R.3 Communication	4553.00
R.4 Others	67266.86
S. Other Industries, pl. specify	**69193.20**
All Industries (A to S)	**915670.44**
T. Residuary other advances	**461328.57**
Total non-fund based (Domestic + Overseas) exposure	**1376999.01**

Industry where Non-Fund based Exposure is more than 5% of Gross Non-Fund based Exposure:

(Rs. in millions)

S. No.	Industry Name	Amount
1.	Iron & Steel	132795.20
2.	Energy	110563.98
3.	Transport	90007.11
4.	Construction	87333.55
5.	All Engineering (Others)	166625.83

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

(Rs. in millions)

Maturity Pattern	Advances*	Investments (Gross)	Foreign Currency Assets
Next day	55032.21	8038.53	179904.59
2 - 7 days	61954.72	19166.29	64563.26
8 -14 days	83431.25	27009.25	119402.53
15- 30 days	375602.51	16847.46	88810.53
31days - 2months	738194.47	38651.30	107228.87
Over 2 months & upto 3 Months	717012.78	43931.47	149007.61
Over 3 Months to 6 months	797413.40	132065.95	107057.86
Over 6 Months & upto 1 year	952158.43	170425.10	187076.47
Over 1Year & upto 3 Years	4907970.41	895429.82	293743.22
Over 3 Years & upto 5 Years	1539530.33	992484.41	214821.88
Over 5 Years	2316817.15	2808444.23	39700.90
Total	**12545117.67**	**5152493.81**	**1551317.70**

*Figures are shown on net basis.

(f) Amount of gross NPAs are:

(Rs. in millions)

Category	Amount
Sub Standard	60734.05
Doubtful – 1	35161.11
Doubtful – 2	50945.36
Doubtful – 3	109788.39
Loss	106862.44
Total NPAs (Gross)	**363491.35**

(g) Amount of Net NPAs are:

(Rs. in millions)

Particulars	Amount
Net NPA	35428.05

(h) The NPA Ratios are as under:

Particulars	Standalone	Consolidated
% of Gross NPAs to Gross Advances	2.78%	2.82%
% of Net NPAs to Net Advances	0.28%	0.28%

(i) Movement of gross NPAs are as under:

(Rs. in millions)

Particulars	Amount
i) Opening Balance at the beginning of the year	380328.41
ii) Additions during the period	21437.86
iii) Reductions during the period	38274.93
iv) Closing Balance at the end of the period (i + ii - iii)	**363491.35**

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

(Rs. in millions)

Name of Provisions	Opening balance as on 01.04.2026	Provision made during the period	Adjustment / Transfer / Write-off	Closing balance as on 30.06.2026
Provision for Standard Assets including derivatives	77713.17	-369.30	0	**77343.87**
Provision for NPAs	325973.98	14718.04	-33314.73	**307377.28**

The amount of recovery in write off accounts booked directly in income statement is Rs. 9076.38 Million.

(k) The amount of non-performing investments are:

(Rs. in millions)

Particulars	Amount
Gross amount of non-performing investment	50416.79

(l) The amount of provisions held for non-performing investments are:

(Rs. in millions)

Particulars	Amount
Amount of provision held for non-performing investment	50416.79

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

(Rs. in millions)

Particulars	Amount
i) Opening balance at the beginning of the year	34000.21
ii) Provisions made during the period	0.00
iii) Write-off made during the period	2717.00
iv) Write back of excess provisions	0.00
v) Closing balance as at the end of the period (i + ii –iii -iv)	**31283.22**

(n) Amount of NPAs and provisions against major industry or counterparty type:

(Rs. in millions)

Name of major industry or counter-party type	Amount of NPA	Specific and general provisions	Write-offs during the current period	Specific provisions during the current period
Food Processing	16485.11	14724.11	269.84	0
Textiles	7551.67	6952.78	553.49	0
Basic Metal and Metal products	4888.86	4475.60	1560.51	0
All Engineering	2261.28	2184.93	798.62	0
Gems and Jewellery	676.59	672.97	187.50	0
Infrastructure	4388.67	4049.43	2574.28	0
Rubber, plastic and their products	2481.65	2029.29	380.03	0
Construction	1606.66	1548.17	1194.29	0

(o) Geography-wise NPA and provisions

(Rs. in millions)

Particulars	Overseas	Domestic	Total
Amount of Gross NPA	2881.37	360609.99	**363491.35**
General and Specific Provisions	3135.30	304241.98*	**307377.28**

**The provision amount is not inclusive of floating provisions of Rs 19950 millions and DICGC/ECGC Claim held for appropriation of Rs 736 millions.*

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

Qualitative Disclosures:

(a)

4.1 Bank has the following seven approved domestic credit rating agencies as accredited by RBI vide “Basel III Capital Regulations - Eligible Credit Rating Agencies” notification dated 09.01.2023 & 10.07.2024 & 09.06.2025 &

28.11.2025 and updated from time to time for mapping its exposure with domestic borrowers under standardized approach of credit risk

- ✓ CARE RATINGS LIMITED
- ✓ CRISIL RATINGS LIMITED
- ✓ ICRA LIMITED
- ✓ INDIA RATINGS AND RESEARCH PRIVATE LIMITED (INDIA RATINGS)
- ✓ ACUITE (ERSTWHILE SMERA)
- ✓ INFOMERICS VALUATION AND RATING LIMITED (INFOMERICS)
- ✓ BRICKWORK RATINGS INDIA PRIVATE LIMITED

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

- ✓ FITCH
- ✓ Moody's
- ✓ Standard & Poor
- ✓ CareEdge Global IFSC Limited (for all non-resident corporate)

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.

Quantitative Disclosures:

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

(Rs. in millions)

Particulars	Amount
i) Below 100% risk weight exposure outstanding	17824253.88
ii) 100% risk weight exposure outstanding	2357027.44
iii) More than 100% risk weight exposure outstanding	1980970.33
iv) Deducted	821530.93

TABLE DF 13 - Main Features of Regulatory Capital instruments

TABLE DF – 14: Full Terms and Conditions of Regulatory Capital Instruments of PNB Bonds

These disclosures i.e. DF 13 and DF 14 have been uploaded on the Bank's website i.e. www.pnbindia.in>Regulatory Disclosures>Basel III Disclosures>Financial year 2026-27

Weblink: (https://www.pnbindia.in/Basel-III-Disclosures.html)

Table DF 17 - Summary comparison of accounting assets vs. leverage ratio exposure measure

	Item	(Rs. in millions)
1	Total consolidated assets as per published financial statements	20387420.70
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purpose but outside the scope of regulatory consolidation	-62028.40
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	0.00
4	Adjustments for derivative financial instruments	97589.30
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	685.90
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off- balance sheet exposures)	1418763.93
7	Other adjustments	-74209.36
8	**Leverage ratio exposure**	21768222.07

DF-18 Leverage ratio common disclosure template

Item	Leverage Ratio Framework (Rs. in millions)
On-balance sheet exposures	
1. On-balance sheet items (excluding derivatives and SFTs, but including collateral)	20324706.40
2. (Asset amounts deducted in determining Basel III Tier 1 capital)	(73523.46)
3. Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	20251182.94
Derivative exposures	
4. Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	45434.90

DF-18 Leverage ratio common disclosure template	
Item	**Leverage Ratio Framework** (Rs. in millions)
5. Add-on amounts for PFE associated with all derivatives transactions	52154.40
6. Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	0.00
7. (Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0.00
8. (Exempted CCP leg of client-cleared trade exposures)	0.00
9. Adjusted effective notional amount of written credit derivatives	0.00
10. (Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0.00
11. Total derivative exposures (sum of lines 4 to 10)	97589.30
Securities financing transaction exposures	
12. Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	685.90
13. (Netted amounts of cash payables and cash receivables of gross SFT assets)	0.00
14. CCR exposure for SFT assets	0.00
15. Agent transaction exposures	0.00
16. Total securities financing transaction exposures (sum of lines 12 to 15)	685.90
Other off-balance sheet exposures	
17. Off-balance sheet exposure at gross notional amount	5497220.55
18. (Adjustments for conversion to credit equivalent amounts)	(4078456.62)
19. Off-balance sheet items (sum of lines 17 and 18)	1418763.93
Capital and total exposures	
20. Tier 1 capital	1504216.13
21. Total exposures (sum of lines 3, 11, 16 and 19)	21768222.07
Leverage ratio	
22. Basel III leverage ratio (per cent)	**6.91%**

Regulatory disclosures in respect of computation of leverage ratio:

(Rs. in millions)

Item	30.06.2025	30.09.2025	31.12.2025	31.03.2026	30.06.2026
Capital Measure	1272585.40	1262921.10	1270145.20	1399558.60	1504216.13
Exposure Measure	20015921.14	20518406.75	21106725.99	21813762.55	21768222.07
Leverage Ratio	6.36%	6.16%	6.02%	6.42%	6.91%

Industry type fund based exposures on Standalone basis is as under:

(Rs. in millions)

Industry Name	Amount
A. Mining and Quarrying	**28835.70**
A.1 Coal	19524.01
A.2 Others	9311.68
B. Food Processing	**281751.35**
B.1 Sugar	34622.81
B.2 Edible Oils and Vanaspati	28892.75
B.3 Tea	13453.21
B.4 Coffee	542.10
B.5 Others	204240.47
C. Beverages (excluding Tea & Coffee) and Tobacco	**5601.20**
C.1 Tobacco and tobacco products	47.64
C.2 Others	5553.56
D. Textiles	**175838.34**
D.1 Cotton	46716.32
D.2 Jute	245.19
D.3 Man-made	39212.79
D.4 Others	89664.05
E. Leather and Leather products	**16097.57**
F. Wood and Wood Products	**20007.26**
G. Paper and Paper Products	**38590.65**
H. Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	**296095.96**
I. Chemicals and Chemical Products (Dyes, Paints, etc.)	**124629.33**
I.1 Fertilizers	19081.15
I.2 Drugs and Pharmaceuticals	36819.85
I.3 Petro-chemicals (excluding under Infrastructure)	21536.01
I.4 Others	47192.32
J. Rubber, Plastic and their Products	**97299.70**
K. Glass & Glassware	**12556.15**
L. Cement and Cement Products	**44206.51**
M. Basic Metal and Metal Products	**297106.32**
M.1 Iron and Steel	257352.81

Industry Name	Amount
M.2 Other Metal and Metal Products	39753.51
N. All Engineering	**225575.47**
N.1 Electronics	23534.66
N.2 Others	202040.81
O. Vehicles, Vehicle Parts and Transport Equipments	**10953.17**
P. Gems and Jewellery	**22445.91**
Q. Construction	**30016.71**
R. Infrastructure	**1546172.06**
R.1 Energy	730195.35
R.2 Transport	632122.68
R.3 Communication	76335.80
R.4 Others	107518.23
S. Other Industries	**2177934.39**
All Industries (A to S)	**5451713.75**
T. Residuary other advances	**15747986.52**
TOTAL Fund Based (Domestic+ Overseas) exposure	**21199700.27**

Industry where Fund-Based Exposure on Standalone basis is more than 5% of Gross Fund Based Exposure:

(Rs. in millions)

S. No.	Industry Name	Amount
1	NIL	

Industry type Non Fund exposure on Standalone basis is as under:

(Rs. in millions)

Industry Name	Amount
A. Mining and Quarrying	**3016.13**
A.1 Coal	2407.68
A.2 Others	608.45
B. Food Processing	**47581.40**
B.1 Sugar	4767.66
B.2 Edible Oils and Vanaspati	11877.22
B.3 Tea	255.98
B.4 Coffee	14.20
B.5 Others	30666.35
C. Beverages (excluding Tea & Coffee) and Tobacco	**80.48**
C.1 Tobacco and tobacco products	0.00
C.2 Others	80.48
D. Textiles	**24391.04**
D.1 Cotton	4528.08
D.2 Jute	0.00
D.3 Man-made	8651.18
D.4 Others	11211.79
E. Leather and Leather products	**1652.40**

Industry Name	Amount
F. Wood and Wood Products	**3220.37**
G. Paper and Paper Products	**4266.75**
H. Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	**30600.81**
I. Chemicals and Chemical Products (Dyes, Paints, etc.)	**10084.51**
I.1 Fertilizers	13.17
I.2 Drugs and Pharmaceuticals	2467.04
I.3 Petro-chemicals (excluding under Infrastructure)	63.59
I.4 Others	7540.70
J. Rubber, Plastic and their Products	**8451.06**
K. Glass & Glassware	**4093.52**
L. Cement and Cement Products	**7492.57**
M. Basic Metal and Metal Products	**144718.10**
M.1 Iron and Steel	132795.20
M.2 Other Metal and Metal Products	11922.90
N. All Engineering	**194721.39**
N.1 Electronics	28095.56
N.2 Others	166625.83
O. Vehicles, Vehicle Parts and Transport Equipment’s	**2356.43**
P. Gems and Jewellery	**7.61**
Q. Construction	**87209.74**
R. Infrastructure	**272390.95**
R.1 Energy	110563.98
R.2 Transport	90007.11
R.3 Communication	4553.00
R.4 Others	67266.86
S. Other Industries, pl. specify	**68727.58**
All Industries (A to S)	**915062.85**
T. Residuary other advances	**457340.18**
TOTAL Non-Fund Based (Domestic+ Overseas) Exposure	**1372403.03**

Industry where Non- Fund based Exposure on Standalone basis is more than 5% of Gross Non-Fund based Exposure:

(Rs. in millions)

S. No.	Industry Name	Amount
1.	Iron and Steel	132795.20
2.	Energy	110563.98
3.	Transport	90007.11
4.	Construction	87209.74
5.	All Engineering (Others)	166625.83