# Punjab National Bank — Jan 2026 Quarterly Analysis

## 1. VERDICT & BUSINESS QUALITY SNAPSHOT

**Result:** Beat on PAT; Miss on NII and NIM. **One-line:** PNB is sacrificing current-quarter margins to fortify its future "fortress" balance sheet, utilizing one-off treasury gains from a stake sale to front-load ECL provisions.

| Dimension | This Quarter | Signal / Evidence | Sentiment |
|---|---|---|---|
| Beat/Miss vs Guidance / Prior Quarter | PAT Beat / NIM Miss | PAT (□5,100 Cr) beat expectations; Global NIM (2.52%) missed guidance by ~30bps. | □ |
| Earnings Quality | Moderate | PAT supported by □912 Cr stake sale gain; core NII fell 4.5% YoY. | □ |
| Guidance Confidence | Mixed | Maintained growth and asset quality targets; NIM guidance effectively walked back to 2.60%. | □ |
| Management Credibility | Strong | Proactive ECL provisioning (□955 Cr floating) shows long-term prudence over short-term optics. | □ |
| Business Quality Signal | Improving (Assets) | GNPA at 3.19% and Slippages at 0.67% are multi-year bests. | □ |
| Key Q&A Exchange | Q3: Provisioning | Mgmt confirmed □955 Cr provision was a "conscious decision" to use treasury surplus for ECL. | □ |
| The Street's Primary Anxiety | NIM Compression | Analysts pressed on the 2.52% Global NIM; Mgmt blames Dec rate cut and slow deposit repricing. | □ |
| Capital Cycle Stage | Consolidation | Using high PCR (97%) and treasury gains to transition toward ECL regime (2027). | □ |
| Margin / Return Ratio Trajectory | Deteriorating | Global NIM hit a new low of 2.52% (vs 2.60% QoQ); ROA stable at 1.06% due to non-interest income. | □ |
| Pricing Power | Eroding | 51.95% Repo-linked book saw immediate yield drop; 21% of high-cost deposits reprice only in Q4. | □ |
| FCF Conversion & Quality | N/A (Banking) | CRAR at 16.77% provides sufficient growth cushion despite RWA growth. | □ |
| Competitive Moat Signals | Stable | Digital transaction share at 94.86%; Branch productivity increased to □271 Cr. | □ |
| Balance Sheet Strength | Very Strong | NNPA at 0.32% and PCR (incl. TWO) at 96.99% effectively eliminate credit risk concerns. | □ |
| Working Capital Efficiency | Improving | CD Ratio rose to 74.2% (vs 72.3% QoQ); approaching the 75% efficiency sweet spot. | □ |
| Mgmt Guidance Track Record | Reliable | Consistent delivery on asset quality and recovery; NIM timing remains the only persistent miss. | □ |
| Key Vulnerability / Red Flag | NII Degrowth | Interest on Advances grew only 2% YoY despite 10.9% book growth, highlighting severe yield pressure. | □ |
| Management Tone | Transparent | Candid about margin pain; confident in "cleaning" the book ahead of regulatory shifts. | □ |

**Sentiment: □Positive (Long-term) / □Neutral (Short-term)**

**Key Takeaways:** * **Positives:** The credit cycle risk is dead. With NNPA at 0.32% and a near-perfect PCR of 97%, credit costs are now purely a function of management's discretionary provisioning (₹955 Cr floating provision this quarter). The corporate underwriting quality is exceptional: only 0.41% NPA on loans sanctioned since July 2020 (₹8.24L Cr O/S). Recovery remains robust at 2.2x of slippages. * **Negatives:** NIM compression is no longer a "potential" risk—it is a current reality. The Global NIM of 2.52% is well below the 2.8-2.9% initial guidance. The immediate repricing of the 52% Repo-linked loan book, combined with a "conscious" delay in cutting deposit rates to protect the liability franchise, has squeezed the spread. Core NII is now shrinking (-4.5% YoY). * **The Street's Concern:** Analysts are frustrated by the NIM volatility. Management's response—that 21% of high-cost deposits (at 7.25%) reprice in Q4 and the final 9% in Q1FY27—suggests NIMs will only recover by Q2FY27. * **Forward Watchpoint:** Watch the repricing of the ₹2.48 Lakh Cr bulk deposit bucket. If NIMs do not show a sequential uptick in Q1FY27, the volume growth story (11-12%) will not be enough to drive meaningful NII expansion.

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## 2. BUSINESS PERFORMANCE

### 2A. KEY METRICS

| Metric | Current Qtr (Q3FY26) | YoY Change | QoQ Change | Trend | Mgmt Commentary |
|---|---|---|---|---|---|
| NII Growth (%) | -4.5% | -- | +0.6% | ↓ | Impacted by yield compression and rate cuts passed to borrowers. |
| NIM (Global %) | 2.52% | ↓ (2.93%) | ↓ (2.60%) | ↓ | Impacted by Dec rate cut and 5.3% QoQ growth in advances. |
| Cost of Funds % | 4.50% | ↓ (4.63%) | ↓ (4.58%) | ↑ | Repricing of high-cost deposits is lagging yield drops. |
| Cost of Deposits % | 5.20% (9M) | ↑ (5.18%) | → (5.21% 1H) | → | 21% of high-cost deposits reprice in Q4. |
| CASA Ratio (%) | 37.1% | ↓ (38.1%) | ↓ (37.3%) | ↓ | Focus on SB individual growth; 38L new accounts in 9M. |
| Credit-Deposit Ratio % | 74.2% | ↑ (72.6%) | ↑ (72.3%) | ↑ | Approaching 75% target; liquidity remains comfortable. |
| Loans Growth (% YoY) | 10.9% | -- | +5.3% | ↑ | Driven by MSME (+18.1%) and Retail (+18.9% excl. IBPC). |
| Deposits Growth (% YoY) | 8.5% | -- | +2.7% | → | Retail term deposits (+10.4%) leading; shed some low-yield bulk. |
| GNPA % | 3.19% | ↑ (4.09%) | ↑ (3.45%) | ↑ | On track for <3.0% by Mar-26. |
| NNPA % | 0.32% | ↑ (0.41%) | ↑ (0.36%) | ↑ | Record low; credit risk effectively neutralized. |
| Slippage Ratio % | 0.67% | ↑ (0.69%) | ↑ (0.71%) | ↑ | Annualized 9M at 0.56% vs guidance of <1%. |
| Credit Cost % | 0.46% | -- | ↑ (Negative) | ↓ | Elevated due to ₹955 Cr discretionary floating provision. |
| Capital Adequacy % | 16.77% | ↑ (15.41%) | ↓ (17.19%) | → | CET-1 at 12.52%; RWA grew to ₹8.79L Cr. |
| PAT (₹Cr) | 5,100 | ↑ 13.1% | ↑ 4.0% | ↑ | Highest ever quarterly profit despite one-off provisions. |
| Fee Income Growth % | 9.2% | -- | +1.6% | ↑ | Driven by processing fees (+24%) and digital lending. |

### 2B. SEGMENT BREAKDOWN

| Segment | Advances (□ Cr) | YoY Growth | GNPA % | Trend | vs Avg | Key Development |
|---|---|---|---|---|---|---|
| Retail (Excl IBPC) | 2,43,608 | 18.9% | 0.99% | ↑ | High | Vehicle loans (+35.7%) leading; Digi Car Loan launched. |
| MSME | 1,88,209 | 18.1% | 9.36% | ↑ | High | Digital sanctions at □4,554 Cr (9M); new TL facility. |
| Agriculture | 1,91,629 | 9.8% | 9.72% | → | Avg | Gold loans grew 62.9% YoY. |
| Corporate | 5,04,967 | 8.9% | 0.05% | → | Low | Underscores extreme underwriting quality in new book. |

## 3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

| Dimension | Category | Management Target / Claim | Required Run-Rate / Mathematical Feasibility | Historical Delivery | Risk Flag |
|---|---|---|---|---|---|
| Guidance | Credit Growth | 11% - 12% | Current 10.9%. Needs strong Q4 disbursal; Pipeline is healthy. Feasible. | Consistent | Low |
| Guidance | NIM (Global) | 2.60% (Full Year) | Needs Q4 NIM to stay flat at ~2.52-2.55%. Revised down from 2.8%. | Missed | High |
| Guidance | GNPA % | Below 3.0% | Needs reduction of 19bps in Q4. Highly Feasible via recovery. | Consistent | Low |
| Guidance | Total Recovery | □16,000 Cr | Achieved □11,366 Cr in 9M. Needs □4,634 Cr in Q4. Feasible. | Consistent | Medium |
| Strategy | Digital Mix | 95% Transactions | Current 94.86%. Every 3rd loan now digital. | Beat | Low |
| Strategy | ECL Buffer | Build Floating Provision | Added □955 Cr this quarter. Total □1,775 Cr. Proactive. | New | Low |
| Macro | Rate Cut Impact | Pass-through | Passed Dec cut immediately to 52% of book. Impact now in base. | Consistent | High |

## 4. ANALYST Q&A

| Q# | Relevance | Analyst / Firm | Theme Cluster | Category | Underlying Concern | Management Response & Investment Implication | Evaded | Credibility | Verdict |
|---|---|---|---|---|---|---|---|---|---|
| 1 | 5.0 | Mahrukh Adajania, Nuvama | Provisions | Financials | "Why wasn't the floating provision offset against the written-back provision from the standard account (~900 Cr)?" | Management confirmed they chose to keep the standard account provision and made 955 Cr *extra* floating provision to ensure future ECL pressure is minimized. This builds an invisible buffer of nearly 1,800 Cr that can smooth future earnings. | None | 5.0 | Conservative |
| 2 | 4.5 | Mahrukh Adajania, Nuvama | ECL Transition | Financials | "What is the total estimated ECL capital requirement and its quarterly impact?" | Management estimated a 9,000-10,000 Cr transition impact spread over 20 quarters, implying a manageable 500 Cr per quarter (15bps credit cost). Proactive provisioning has already covered nearly 20% of the day-zero impact. | None | 4.0 | Reassuring |
| 3 | 4.0 | Jai Mundhra, ICICI Sec | SMA Exposure | Financials | "What is the separate breakdown for SMA-0, 1, and 2 across the book?" | Management disclosed SMA-0 at 34,176 Cr, SMA-1 at 9,439 Cr, and SMA-2 at 13,122 Cr (Total SMA ~4.6% of book). These numbers | None | 5.0 | Specific |

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|---|---|---|---|---|---|---|---|---|---|
| | | | | | | provide the pool for future slippage; SMA-2 levels are stable QoQ. | | | |
| 4 | 5.0 | Kunal Shah, Citigroup | NIM Repricing | Financials | "When will deposit repricing benefit kick in, given NIM fell despite expectations?" | Management admitted the NIM miss but highlighted that ₹2.48L Cr of high-cost deposits at 7.25% will fully reprice by mid-May 2026. This confirms that NIM recovery is a Q1/ Q2FY27 story, not a Q4FY26 one. | None | 4.0 | Delayed Recovery |
| 5 | 4.0 | Bhavik Shah, InCred | Treasury Gains | Financials | "How much was the one-off gain from Canara HSBC Life stake sale?" | Management confirmed a net gain of ₹912 Cr was booked this quarter. This explains why the profit beat occurred despite the core NII shrinking. | None | 5.0 | Clear |
| 6 | 3.5 | Anand Dama, Emkay | Recovery ONE-OFF | Financials | "Was there a single large account in the ₹4,100 Cr recovery?" | Management identified one account contributing ₹700 Cr, with the remainder being granular (below ₹100 Cr). Granularity of recovery suggests the 2.2x recovery-to-slippage | None | 4.0 | Granular |

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|---|---|---|---|---|---|---|---|---|---|
| | | | | | | ratio is sustainable. | | | |
| 7 | 3.0 | Ashlesh Sonje, Kotak | Tax Rate | Financials | "Why was the tax rate lower at 19%?" | Management attributed it to a □506 Cr reversal of tax provisions from the prior year. This one-off tax benefit further boosted the PAT optically. | None | 5.0 | Explained |
| 8 | 4.5 | Ankit Bansal, AB Invest | Consistency | Management | "How can an investor feel safe when momentum shifts from slippages one quarter to provision surprises the next?" | Management argued that they have met every guidance parameter (GNPA, ROA, Slippage) except NIM, and the provision "surprise" was a strategic choice to utilize surplus for ECL. This highlights a shift from "Legacy Cleanup" to "Future-Proofing." | None | 4.0 | Long-term focus |

**PATTERN FLAGS & SENTIMENT** * **The ECL Front-loading:** Analysts were skeptical of the □955 Cr "surprise" provision. Management's posture was one of disciplined long-termism, arguing that utilizing a treasury windfall (stake sale) to build an ECL cushion is superior to reporting a □6,000 Cr profit that would later face a cliff-effect in 2027. * **NIM Bottoming:** There is palpable friction between management's prior optimistic NIM guidance and the current reality of 2.52%. Management has successfully pivoted the timeline to mid-2026, but analysts remain wary of further rate cut impacts in 2026. * **Analyst Sentiment Verdict:** Skeptical on core NII growth but highly impressed by asset quality metrics. The consensus is that PNB is now the "cleanest" it has been in a decade, but the stock re-rating will be capped until NII growth resumes.

**GUIDANCE GAPS REVEALED IN Q&A** | Topic | What Mgmt Claimed (Prior Q) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | **Global NIM** | 2.8% - 2.9% | 2.52% (Current) | Walked back guidance to 2.60% for FY26; full recovery delayed by 6 months. | High | | **Tax Rate** | Standard | 19% | Boosted by □506 Cr reversal; Q4 will likely revert to ~25%. | Medium | | **Credit Cost** | <0.5% (Core) | 0.46% (Actual) | Hit target only because they chose to cap floating provisions at □955 Cr. | Low |

## 5. WHAT CHANGED vs PRIOR QUARTER

| What Changed | Prior Quarter (Q2FY26) | This Quarter (Q3FY26) | Direction |
|---|---|---|---|
| **Global NIM** | 2.60% | 2.52% | ↓ Deteriorating |
| **GNPA** | 3.45% | 3.19% | ↑ Improving |
| **NNPA** | 0.36% | 0.32% | ↑ Improving |
| **Floating Provision** | ₹820 Cr | ₹1,775 Cr | ↑ Improving (Buffer) |
| **Treasury Gain** | ₹1,769 Cr | ₹1,337 Cr | ↓ Lower (Core) |
| **One-off Income** | N/A | ₹912 Cr (Stake Sale) | ↑ One-time boost |
| **Slippage Ratio** | 0.71% | 0.67% | ↑ Improving |
| **Management Tone** | Optimistic on NIM | Cautious on NIM / Proactive on ECL | → Pivot to Prudence |

**Earnings Quality Note:** The CFO-to-PAT ratio for banks is inherently volatile, but the divergence this quarter is driven by a non-cash floating provision (₹955 Cr) and a one-off tax reversal (₹506 Cr). Core operating profit grew 13% YoY, but NII shrank 4.5%, suggesting that business growth is currently offset by spread compression. The "hidden" buffer in standard account provisions (~₹900 Cr) remains an earnings lever for FY27.