Punjab National Bank — Oct 2026 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Beat on PAT, Asset Quality, and NIM Expansion. **One-line:** PNB has successfully transitioned from a turnaround story to a sustainable compounding machine, with NIMs expanding 10bps and credit costs remaining "near-zero" despite a minor corporate slippage.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Strong Beat	GNPA at 2.55% (Target was <2.5% for full year); RoA at 1.05% (Target >1%).	□
Earnings Quality	High (Core driven)	Core operating profit (ex-treasury/recovery) grew 29.4% YoY; NIMs expanded on better asset mix.	□
Guidance Confidence	Strong	Management expects 7-9bps further NIM expansion in Q3 due to repo-linked book resets.	□
Management Credibility	Strong	Delivered on the promise of shedding low-yield corporate debt (□58,000 Cr) to boost margins.	□
Business Quality Signal	Improving	Gold loans grew 98% YoY; Credit Card/CMS/Supply Chain verticals are diversifying fee income.	□
Key Q&A Exchange	Q2 - NIM Trajectory	Management confirmed 56% of the book is repo-linked, providing an immediate yield boost.	□
The Street's Primary Anxiety	ECL Transition	Fear of large hit on transition; Mgmt quantified net requirement at only ~□5,000 Cr.	□
Capital Cycle Stage	Harvesting	CRAR at 17.95% is extremely robust; bank is funding 15% growth through internal accruals.	□
Margin / Return Trajectory	Improving	Global NIM expanded 8bps QoQ to 2.58%; Domestic NIM hit 2.74%.	□
Pricing Power	Expanding	Shifting from volume-at-any-cost to yield-focused corporate lending.	□
FCF Conversion & Quality	Strong	PCR at 97.32% ensures that almost all future recoveries flow to the bottom line.	□
Competitive Moat Signals	Stable	Massive physical footprint (10,481 branches) being optimized by digital "PNB One" (15.9 Mn users).	□
Balance Sheet Strength	Strong	CET-1 at 14.44% is nearly double the regulatory minimum.	□
Working Capital Efficiency	Improving	CD Ratio rose to 75.5% from 72.3% YoY, indicating better capital deployment.	□
Mgmt Guidance Track	Reliable	Management hit or exceeded nearly every metric provided in the Q1 guidance.	□
Key Vulnerability	CASA Erosion	CASA share fell to 36.6% (vs 37.3% YoY) as institutional deposits moved to "just-in-time" RBI models.	□
Management Tone	Confident	Tone was assertive regarding the "best position for the entire banking industry."	□

Sentiment: □Positive (Long-term)

Key Takeaways: * **Positives:** The credit cycle overhang is officially dead. With NNPA at 0.25% and a PCR over 97%, PNB's balance sheet is "bulletproof." Profitability is now driven by structural NIM expansion (shedding low-yield assets) and a 98% YoY explosion in high-yield Gold Loans. The bank has already provided for nearly 45% of its estimated ECL transition hit (□8,000 Cr) through floating and standard provisions. * **Negatives:** CASA compression (36.6% vs 37.3% YoY) remains the primary structural headwind. While individual SA is growing at 8.1%, institutional SA is leaking, forcing the bank to rely on retail term deposits and leveraged FCNR to manage the cost of funds. * **The Street's Concern:** Analysts were worried about the sustainability of the 1% RoA. Management countered by highlighting a 29.4% growth in *core* operating profit (excluding recoveries and treasury), which now makes up 79% of total operating profit. * **Forward Watchpoint:** The transition to ECL in FY28. Management has quantified the hit, and any further buildup of floating provisions in H2 FY27 will signal a desire to enter the new regime with a totally clean slate.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS *DATA SOURCE: PPT figures used as primary. Original values in Lakh Crore converted to Crore (x 1,00,000).*

Metric	Current Qtr (Q2FY27)	YoY Change	QoQ Change	Trend	Mgmt Commentary
NII Growth (%)	10.8%	--	7.4%	↑	Driven by yield expansion and volume growth.
NIM (Global %)	2.58%	↓ (2.60%*)	↑ (2.50%)	↑	Volume: Pricing improved as low-yield corporate was shed.
Cost of Funds %	4.34% (Dom)	↓ (4.57%)	↓ (4.36%)	↑	Leveraged $2.7B FCNR to replace bulk deposits.
Cost of Deposits %	4.97% (Dom)	↓ (5.18%)	↓ (5.02%)	↑	Focus on individual retail TD; exited CD market.
CASA Ratio (period end %)	36.6%	↓ (37.3%)	↓ (36.7%)	↓	Institutional SA de-grew 3.8% (RBI JIT movement).
Credit-Deposit Ratio %	75.5%	↑ (72.3%)	↑ (73.8%)	↑	Intentional strategy to utilize liquidity for credit.
Loans Growth (% YoY)	14.7%	--	5.3%	↑	RAM (+13.6%) and Overseas (+62.7%) led.
Deposits Growth (% YoY)	9.9%	--	3.0%	↑	Calibrated growth to protect cost of funds.
GNPA %	2.55%	↓ (3.45%)	↓ (2.78%)	↑	Best-in-class recovery/slippage ratio (1.17x).
NNPA %	0.25%	↓ (0.36%)	↓ (0.28%)	↑	Near-zero risk to capital.
Slippage Ratio %	0.77%	↑ (0.71%)	↑ (0.68%)	↓	Marginal rise due to one Road/ Infra corporate slippage.
Credit Cost %	0.25%	↓ (0.35%)	→ (0.25%)	→	Management guiding for 0.25-0.30% including ECL.
Capital Adequacy (CRAR %)	17.95%	↑ (17.19%)	↓ (18.13%)	↓	Dip due to high credit growth/ RWA expansion.
PAT (□Cr)	□5,532 Cr	↑ 12.8%	↑ 5.3%	↑	Sustainable core growth; no major one-offs.
Fee Income Growth %	16.0%	--	-16.5%	↓	Seasonal dip vs Q1 processing fees.
**YoY NIM comparison adjusted for prior year's one-off interest reversals.*					

2B. SEGMENT BREAKDOWN

Segment	Advances (□ Cr)	YoY Growth	GNPA %	Trend	vs Avg	Key Development
Retail	□2,96,925	9.1%	0.73%	↑	High	Retail (ex-IBPC) grew 16.3%; Home Loan +14.3%.
Agriculture	□2,10,451	14.4%	8.63%	↑	Avg	Gold loans (□36,000 Cr) growing 98% YoY.
MSME	□2,14,619	19.8%	6.08%	↑	High	Sharpest reduction in GNPA (from 10.24% YoY).
Corporate	□5,35,088	10.9%	0.13%	→	Low	Shedding low-yield; Pipeline of □1.58 Lakh Cr.
Overseas	□84,110	62.7%	0.00%	↑	High	GIFT City and Dubai branches scaling fast.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target (FY27)	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Credit Growth	12% - 13%	**Current: 14.7%**. Exceeding target; likely to hold.	Delivered	Low
Guidance	NIM (Global)	2.60% - 2.70%	**Current: 2.58%**. Needs ~5bps expansion. Very likely with repo reset.	Improving	Low
Guidance	GNPA %	< 2.50%	**Current: 2.55%**. Needs 5bps reduction in H2. Highly feasible.	Delivered	Low
Guidance	RoA %	Above 1.0%	**Current: 1.05%**. Maintaining target is easy if credit cost <0.3%.	Beat	Low
Strategy	Recovery	> □13,000 Cr	**H1: □5,594 Cr**. Needs □7,406 Cr in H2. Uphill task; requires large NCLT wins.	Mixed	Medium
Strategy	ECL Transition	□8,000 Cr Impact	**Coverage: □3,710 Cr already held**. Only □4,300 Cr gap left.	New Detail	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
1	5.0	Kunal Shah, Citi	FCNR & Bulk Deposits	Financials	How was the $2.7B FCNR raise utilized given stagnant cash balances?	Management confirmed the entire amount was used to shed high-cost bulk deposits and CDs (reduced from 19% to 17% mix). This significantly lowers the cost of funds and protects NIMs in a high-rate environment.	None	5.0	Specific & verfied
1a	4.5	Kunal Shah, Citi	NIM Outlook	Outlook	What is the expected impact of the 25bps repo rate hike?	Management expects a minimum 7 basis point improvement in NIM in Q3 because 56% of the loan book resets on day one. This provides clear visibility for NII growth in H2.	None	4.0	Directional
2	3.5	Chanchal, Indiv.	Provisioning	Financials	Why were provisions only □97 Cr despite □817 Cr NPA provision?	The CFO explained a □798 Cr write-back in one standard investment account offset the loan provisioning. This means core credit cost is slightly higher than the headline □97 Cr, but	None	4.0	Technical

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						still very low at 0.25%.			
3	4.5	Sameer Bhise, Daiwa	Margin Strategy	Strategy	Can you sustain margins without Pursuing volume at any cost?	Management noted they shed ₹58,000 Cr of low-yielding corporate advances this quarter to replace them with higher-yielding RAM and better-priced corporate lines. This "churning" is a structural positive for long-term ROE.	None	5.0	Strategy-led
4	5.0	J. Mundhra, ICICI	ECL Impact	Financials	What is the total ECL transition requirement and current buffer?	Management quantified the loan-book ECL impact at ₹8,000 Cr and highlighted they already hold ₹3,710 Cr in floating/ standard provisions. This removes the "black box" risk around ECL and indicates a manageable ~₹4,300 Cr gap.	HTM ECL impact	4.5	High
5	3.0	Ashlesh Sonje, Kotak	Gold Loans	Business	How is the bank pricing its Gold Loan book versus NBFCs?	Yield on gold loans is ~8.6%, which management plans to hike toward 8.9% via repo-	None	4.0	In-line

Q#	Relevance	Analyst / Firm	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
						linked resets. This segment remains a high-growth, zero-risk engine (74% Agri-gold).			

PATTERN FLAGS & SENTIMENT Analyst questioning focused heavily on the mechanics of the NIM beat—specifically how the bank lowered funding costs while peers are struggling. Management was extremely assertive, revealing a high-conviction strategy of "shedding and replacing" (replacing low-yield bulk corporate with RAM/Retail). The resolution of the ECL quantification (□8,000 Cr total hit) significantly reduced analyst anxiety.

Analyst Sentiment Verdict: Analysts were largely convinced by the "Fortress PNB" narrative. The primary friction point was the low headline provisioning (□97 Cr), which was clarified as a technical investment write-back rather than under-provisioning. Credibility improved significantly as management demonstrated they could grow the bottom line while simultaneously de-risking the book.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Q1) | What Q&A Revealed (Q2) | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | Recovery | > □13,000 Cr for FY27 | H1 only at □5,594 Cr | Mgmt admitted hitting □13k Cr is "challenging" but doable. | Low (RoA is safe even with lower recovery) |

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q1FY27)	This Quarter (Q2FY27)	Direction
Global NIM	2.50%	2.58%	↑ Expansion
GNPA	2.78%	2.55%	↑ Improving
Domestic NIM	2.64%	2.74%	↑ Expansion (Hit Target)
CASA Ratio	36.7%	36.6%	↓ Marginal Deterioration
CD Ratio	73.8%	75.5%	↑ Optimization
Gold Loan Book	~□28,000 Cr	□36,000 Cr	↑ High Growth
ECL Quantification	Vague	□8,000 Cr (Gross) / □4,300 Cr (Net)	↑ Clarity
Corporate Slippage	None	1 Account (Road/Infra)	↓ New Risk Point
CRAR	18.13%	17.95%	↓ RWA consumption
Staff Provisioning	□490 Cr	□340 Cr	↑ Lower Operating Expense

- **Earnings Quality Note:** Operating profit is now "high quality," with core profits growing 29.4% YoY. The reliance on treasury and technical recoveries is shrinking.
- **Forensic Trigger:** The □798 Cr write-back in investment provisions masked the underlying credit cost. While technically correct, the *real* loan-loss provision was □817 Cr, implying that without the one-off investment recovery, PAT growth would have been slightly more modest. However, as this recovery came from a standard investment account, it represents genuine "hidden value" being unlocked.