PUNJAB NATIONAL BANK
Pillar 3 Disclosures under Basel III Framework
For the Period ended 31.12.2019

(CONSOLIDATED)

Table DF-2: Capital Adequacy

(a) (i) Qualitative Disclosures:

1. **Capital Adequacy**

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

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

2.1. Credit Risk Management

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

2.1.2 In order to provide a robust risk management structure, the Credit Management and Risk policy of the bank aims to provide a basic framework for implementation of sound credit risk management system in the bank. It deals with various areas of credit risk, goals to be achieved, current practices and future strategies. As such, the credit policy deals with short term implementation as well as long term approach to credit risk management. The policy of the bank embodies in itself the areas of risk identification, risk measurement, risk grading techniques, reporting and risk control systems / mitigation techniques, documentation practice and the system for management of problem loans.

All loan proposals falling under the powers of GM & above at HO/ Zonal Manager and Circle Head at field are considered by Credit Approval Committee (CAC).

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

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

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

For monitoring the health of borrowal accounts at regular intervals, bank has put in place a tool called Preventive Monitoring System (PMS) for detection of early warning signals with a view to prevent/minimize the loan losses.

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

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

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

2.1.7 Though the bank has implemented the Standardized Approach of credit risk, yet the bank shall continue its journey towards adopting Internal Rating Based Approaches (IRB). Bank has received approval from RBI for adoption of Foundation Internal Rating Based Approach (FIRB) on parallel run basis w.e.f. 31.07.2013. Further, bank has placed notice of intention to RBI for implementing Advanced Internal Rating Based (AIRB) approach for credit risk.

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

- For corporate assets class, bank has estimated PD based upon model wise default rates viz. Large Corporate and Mid Corporate borrowers using Maximum likelihood estimator (MLE). For retail asset class, PD is computed for identified homogeneous pool by using exponential smoothing technique.

- LGD (Loss Given Default) values have been calculated by using workout method for Corporate Asset Class as well as for each homogenous pool of Retail Asset Class.

- Bank has also put in place a mechanism to arrive at the LGD rating grade apart from the default rating of a borrower. The securities eligible for LGD rating are identified facility wise and the total estimated loss percentage in the account is computed using supervisory LGD percentage prescribed for various types of collaterals and accordingly LGD rating grades are allotted.

- Effective Maturity for different facilities under Corporate Asset Class has also been calculated as per IRB guidelines.

- Mapping of internal grades with that of external rating agencies grades: Bank has mapped its internal rating grades with that of external rating agencies grades. This exercise helps in unexpected loss calculation and PD estimation.

- Benchmarking of Cumulative Default Rates: Benchmark values of cumulative default rates for internal rating grades have been calculated based on the published default data of external rating agencies. The benchmark values is used for monitoring of cumulative default rates of internal rating grades and PD validation.

- Bank has adopted supervisory slotting criteria approach for calculation of capital under specialised lending (SL) exposure falling under corporate asset class.
- Bank has put in place a comprehensive "Credit Risk Mitigation & Collateral Management Policy", which ensures that requirements of FIRB approach are met on consistent basis.

2.2 Market Risk & Liquidity Risk

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

2.2.2 Besides regulatory limits, the bank has put in place internal limits and ensures adherence thereof on continuous basis for managing market risk in trading book of the bank and its business operations. Bank has prescribed entry level barriers, exposure limits, stop loss limits, VaR limits, Duration limits and Risk Tolerance limit for trading book investments. Bank is keeping constant track on Migration of Credit Ratings of investment portfolio. Limits for exposures to Counterparties, Industry Segments and Countries are monitored. The risks under Forex operations are monitored and controlled through Stop Loss Limits, Overnight limit, Daylight limit, Aggregate Gap limit, Individual Gap limit, Value at Risk (VaR) limit, Inter-Bank dealing and investment limits etc.

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

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

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

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

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

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

The LCR of the bank is at comfortable level. The bank is managing LCR at consolidated level at 189.27% during Q'3 2019-20 (based on basis of simple averages daily observation over previous quarter) against the regulatory requirement of 100%.

2.3 Operational Risk:

The bank adopts three lines of defense for management of operational risk, the first line of defense represented by various HO Divisions which are Control Units (CU), Business Units (BU) or Support Units (SU); Second line of defense represented by independent Corporate Operational Risk Management Function (CORF) being Operational Risk Management Department (ORMD) to oversee Operational Risk Management, and the third lines of defense represented by Inspection & Audit Division/ Management Audit Division (IAD/ MARD) which is a challenge function to the first two lines of defense, Operational Risk Management Committee (ORMC) headed by MD & CEO with all the EDs and key divisional heads as members is the Executive level committee to oversee the entire operational risk management of the bank. All the operational risk aspects like analysis of historical internal loss data (including near miss events, attempted frauds & robberies, external loss events), etc. are placed to the ORMC on quarterly basis. Risk Description Charts (RDCs), annual Risk & Control Self Assessments (RCSAs), Key Risk Indicators (KRIs) and Business Environment & Internal Control Factors (BEICFs) are also used to ascertain the inherent and residual risks in various activities and functions of the bank and initiating necessary corrective actions with respect to management/mitigation of the operational risks.

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

(ii) Quantitative Disclosures:

(b) Capital requirements for credit risk:

(Rs. in million)

	31.12.2019	**31.12.2018**
Portfolios subject to standardized approach	406280.94	317684.26
Securitization exposure	0.00	0.00

(c)The capital requirements for market risk (under standardized duration approach) :

(Rs. in million)

Risk Category	31.12.2019	31.12.2018
i) Interest Rate Risk	20152.21	17265.98
ii) Foreign Exchange Risk (including Gold)	224.24	305.28
iii) Equity Risk	10866.11	10846.31
iv) Total capital charge for market risks under Standardized duration approach (i + ii + iii)	**31242.56**	**28417.57**

(d) The capital requirement for operational risk:

(Rs. in million)

Capital requirement for operational risk	31.12.2019	31.12.2018
(i)Basic indicator approach	32610.27	31233.78
(ii) The Standardized approach (if applicable)	-	30894.76

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

	Consolidated	
	31.12.2019	**31.12.2018**
Common Equity Tier 1 Capital ratio (%) (Basel- III)	10.92	7.47
Tier 1 Capital ratio (%) (Basel- III)	12.18	8.90
Tier 2 Capital ratio (%) (Basel- III)	2.21	2.24
Total Capital ratio (CRAR) (%) (Basel- III)	14.39	11.14

For Significant Bank Subsidiaries:

Name of subsidiary	Common equity Tier 1 Capital ratio (%) (Basel- III)	Additional Tier 1 Capital ratio (%) (Basel- III)	Tier 1 Capital ratio (%) (Basel- III)	Tier 2 Capital ratio (%) (Basel- III)	Total Capital ratio (CRAR) (%) (Basel- III)
	31.12.2019	**31.12.2019**	**31.12.2019**	**31.12.2019**	**31.12.2019**
PNB Gilts Ltd	33.01	0.00	33.01	2.42	34.43
Punjab National Bank (International)	8.84	6.72	15.56	5.93	21.49

Ltd.					
PNB Investment Services Ltd.	NA	NA	NA	NA	NA
Druk PNB Bank Ltd.	14.25	0.00	14.25	1.52	15.77
PNB Insurance Broking Pvt. Ltd.	NA	NA	NA	NA	NA

Table DF- 3: Credit Risk: General Disclosures

(i) Qualitative Disclosures:

(a)

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

(i) Interest and/or installment of principal remains overdue for a period of more than 90 days in respect of a term loan.

(ii) The account remains out of order in respect of an overdraft/cash credit for a period of more than 90 days.

Account will be treated out of order, if:

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

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

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

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

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

(ii) Quantitative Disclosures:

(b) The total gross credit risk exposures:

(Rs. in million)

Category	31.12.2019	31.12.2018
Fund Based	4789594.95	4830263.58
Non Fund Based	538366.16	643070.97

(c) The geographic distribution of exposures:

(Rs. in million)

Category	Overseas		Domestic	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Fund Based	227217.63	245807.98	4562377.31	4563854.40
Non-fund based	6303.21	(1870.93)	532062.94	644941.90

(d)

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

(Rs. in million)

Industry Name	31.12.2019
	Consolidated
A. Mining and Quarrying (A.1 + A.2)	18186.37
A.1 Coal	7599.48
A.2 Others	10586.89
B. Food Processing (B.1 to B.4)	104215.39
B.1 Sugar	50219.72
B.2 Edible Oils and Vanaspati	17525.64
B.3 Tea	39.85
B.4 Coffee	23.08
B.5 Others	36407.10
C. Beverages (excluding Tea & Coffee) and Tobacco	5077.68
C.1 Tabacco & tobacco Products	214.22
C.2 Others	4863.46
D. Textiles (a to d)	85829.98
a. Cotton	27634.22
b. Jute	1673.47
c. Man Made	7898.73
d. Others	48623.56
E. Leather and Leather products	7581.51

F. Wood and Wood Products	5442.61
G. Paper and Paper Products	10640.16
H. Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	38348.48
I. Chemicals and Chemical Products (Dyes, Paints, etc.) (I.1 to I.4)	67386.24
I.1 Fertilizers	9181.40
I.2 Drugs and Pharmaceuticals	19631.26
I.3 Petro-chemicals (excluding under Infrastructure)	22087.34
I.4 Others	16486.24
J. Rubber, Plastic and their Products	13963.22
K. Glass & Glassware	1388.48
L. Cement and Cement Products	9538.33
M. Basic Metal and Metal Products (M.1 + M.2)	223365.85
M.1 Iron and Steel	202984.90
M.2 Other Metal and Metal Products	20380.95
N. All Engineering (N.1 + N.2)	40514.17
N.1 Electronics	7336.09
N.2 Others	33178.08
O. Vehicles, Vehicle Parts and Transport Equipments	12155.62
P. Gems and Jewellery	24600.34
Q. Construction	20121.05
R. Infrastructure (a to d)	673155.18
a. Energy	321886.37
b. Transport	166242.10
c. Communication	134287.71
d. Others	50739.00
S. Other Industries	179841.32
T. **All Industries (A to S)**	**1541351.98**
Residuary advances	**3248242.97**
Total Loans and Advances	**4789594.95**

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

(Rs. in million)

S.No.	**Industry Name**	**31.12.2019**
		Consolidated
1	Energy	321886.37

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

(Rs. in million)

Industry Name	31.12.2019
	Consolidated
A. Mining and Quarrying (A.1 + A.2)	526.57
A.1 Coal	335.25
A.2 Others	191.32
B. Food Processing (B.1 to B.4)	6066.92
B.1 Sugar	2298.09
B.2 Edible Oils and Vanaspati	1865.25
B.3 Tea	2.54
B.4 Coffee	0.00
B.5 Others	1901.04
C. Beverages (excluding Tea & Coffee) and Tobacco	367.63
C.1 Tabacco & tobacco Products	8.04
C.2 Others	359.59
D. Textiles (a to c)	5560.07
a. Cotton	918.59
b. Jute	387.01
c. Man Made	227.31
d. Others	4027.16
E. Leather and Leather products	582.88
F. Wood and Wood Products	315.67
G. Paper and Paper Products	1882.97
H. Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	132.95
I.Chemicals and Chemical Products (Dyes, Paints, etc.) (I.1 to I.4)	11759.37
I.1 Fertilizers	2388.21
I.2 Drugs and Pharmaceuticals	3709.20
I.3 Petro-chemicals (excluding under Infrastructure)	1769.06
I.4 Others	3892.90
J. Rubber, Plastic and their Products	2117.32
K. Glass & Glassware	137.37
L. Cement and Cement Products	2249.58
M. Basic Metal and Metal Products (M.1 + M.2)	142123.57
M.1 Iron and Steel	137871.62
M.2 Other Metal and Metal Products	4251.95
N. All Engineering (N.1 + N.2)	36678.06
N.1 Electronics	8059.78
N.2 Others	28618.28
O. Vehicles, Vehicle Parts and Transport Equipments	1380.02
P. Gems and Jewellery	621.24

Q. Construction	40175.73
R. Infrastructure (a to d)	123749.40
a. Energy	60485.70
b. Transport	33528.00
c. Communication	17774.70
d. Others	11961.00
S. Other Industries	33264.50
T. **All Industries (A to S)**	**409691.82**
Residuary advances	**128674.34**
Total Loans and Advances	**538366.16**

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

S.No.	Industry Name	Amount – 31.12.2019
		Consolidated
1	Iron & Steel	137871.62
2	Energy	60485.70
3	Other Engineering	28618.28
4	Construction (Other Than Infrastructure)	40175.73
5.	Transport	33528.00

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

(Rs. in million)

Maturity Pattern	Advances*	Investments (Gross)	Foreign Currency Assets*
Next day	38810.78	240.94	19927.36
	(69583.59)	(2438.77)	(48580.54)
2 - 7 days	41577.03	15800.08	18336.22
	(81780.86)	(4185.89)	(19343.72)
8 -14 days	16299.09	5162.23	10349.25
	(49265.40)	(1549.88)	(19143.15)
15- 30 days	79577.31	36728.71	18560.20
	(92095.31)	(8248.75)	(51274.89)
31days - 2months	92821.71	22523.67	37059.35
	(76339.47)	(23128.14)	(20027.65)
Over 2 months & upto 3 Months	87666.24	21675.92	38697.31
	(75338.94)	(32692.85)	(14934.87)
Over 3 Months to 6 months	205207.64	70948.40	33715.14
	(107498.64)	(28625.11)	(55501.76)
Over 6 Months & upto 1 year	263110.40	113126.32	51144.80
	(209178.92)	(64918.70)	(39376.93)
Over 1Year & upto 3 Years	2102676.13	220165.24	92067.45

	(2216938.35)	(245989.22)	(65061.75)
Over 3 Years & upto 5 Years	446995.37	139170.31	54810.88
	(519395.99)	(247863.24)	(86271.55)
Over 5 Years	931483.00	1887239.57	32421.90
	(894106.85)	(1421578.80)	(20026.32)
Total	**4306224.69**	**2532781.37**	**407089.85**
	(4391522.32)	**(2081219.35)**	**(439543.13)**

*Figures are shown on net basis.
Figures in brackets relate to previous corresponding year.

(f) The gross NPAs are:

(Rs. in million)

Category	31.12.2019	31.12.2018
Sub Standard	180972.68	201396.92
Doubtful – 1	124737.57	130839.16
Doubtful – 2	265625.09	310409.63
Doubtful – 3	50515.98	20381.81
Loss	176377.50	143133.48
Total NPAs (Gross)	**798228.82**	**806161.00**

(g) The amount of Net NPAs is:

(Rs. in million)

Particulars	31.12.2019	31.12.2018
Net NPA	310575.92	363261.95

(h) The NPA Ratios are as under:

NPA Ratios	Consolidated	
	31.12.2019	31.12.2018
% of Gross NPAs to Gross Advances	16.67	16.69
% of Net NPAs to Net Advances	7.21	8.27

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

(Rs. in million)

Movement of gross NPAs	31.12.2019	31.12.2018
i) Opening Balance at the beginning of the year	813757.42	897038.92
ii) Addition during the period	184108.19	141385.45
iii) Reduction during the period	199636.79	232263.37
iv) Closing Balance as at the end of the period (i + ii - iii)	**798228.82**	**806161.00**

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

(Rs. in million)

Name of Provisions	Opening balance as on 01.04.2019	Provision made during the period	Write-off made during the period	Write-back of excess provision during the period	Any other adjustment including transfers between provisions	Provision as on 31.12.2019
Float Provision-NPA	3602.50	0.00	0.00	0.00	0.00	3602.50
Provision for assets sold to SCs/RCs	5286.91	0.00	0.00	0.00	0.00	5286.91
Provision for Bonus	131.65	0.00	0.00	0.00	(69.20)	62.45
Main Account Indo Commercial Bank	0.05	0.00	0.00	0.00	0.00	0.05
Provision for arrears to employees under Wage Revision	7137.17	698.56	0.00	0.00	0.00	7835.74
Provision for Staff Welfare	80.60	8.50	0.00	0.00	0.00	89.10
Provision for Impersonal heads	64.99	0.00	0.00	0.00	(0.37)	64.62
Provision for Leave Encashment	18470.16	12.58	3.63	0.00	(556.36)	17922.75
Provision for Pension Fund	2717.20	0.00	0.00	0.00	(697.90)	2019.30
Sundries Liabilities Account -Interest capitalization (FITL-Standard)	3959.14	0.00	0.00	0.00	(2479.83)	1479.31
Sundries Liabilities Account -Interest capitalization (FITL-NPA)	313.35	0.00	0.00	0.00	(33.31)	280.04
Provision for Standard Assets	22841.03	221.93	0.00	0.00	(234.92)	22828.04
Provision for Standard Derivatives	350.90	0.00	0.00	0.00	(165.70)	185.20
Provision for Gratuity	1971.33	0.38	0.00	0.00	(1918.53)	53.18
Provision for LFC	2115.90	26.60	0.00	0.00	0.00	2142.50
Provision for Sick Leave	739.20	0.00	0.00	0.00	(19.90)	719.30
Provision for NPA (excluding Standard Assets)	503364.59	152072.46	90576.37	82295.96	0.00	482564.73
Provision for Income Tax/ Taxation	1262.13	0.00	0.00	694.40	(8.40)	559.33
Provision Others	7468.76	0.00	0.00	0.00	(4568.72)	2900.04

Provision for expenses	36.66	55.10	16.28	0.00	(2.19)	73.29

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

(Rs. in million)

Particulars	31.12.2019	31.12.2018
Amount of non-performing investment	25699.60	25079.47

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

(Rs. in million)

Particulars	31.12.2019	31.12.2018
Amount of provision held for non-performing investment	18717.10	22759.93

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

(Rs. in million)

Movement of provisions for depreciation on investments	31.12.2019	31.12.2018
i) Opening balance at the beginning of the year	40247.99	31426.65
ii) Provisions made during the period	338.79	12546.14
iii) Write-off made during the period	93.24	150.12
iv) Write-back of excess provisions made during the period	3340.84	5065.24
v) Closing balance as at the end of the period (i + ii –iii-iv)	**37152.70**	**38757.43**

(n) NPA and provisions maintained by major industry or counterparty type as on 31.12.2019

(Rs. in million)

Name of major industry or counter-party type	Amount of NPA (if available, past due loans be provided separately)	Specific and general provisions	Specific provisions and write-off during the current period
A. Mining and Quarrying	4156.90	3129.26	0.00
B. Food Processing	22358.62	13628.29	0.00
C. Textiles	26880.83	12269.00	0.00
D. Chemical & Chemical Products	6079.96	3448.27	0.00
E. Cement and Cement Products	1268.02	667.92	0.00
F. Basic Metal and Metal Products	91079.72	59686.67	0.00
G. Rubber ,Plastic and Their products	1489.36	872.91	0.00
H. All Engineering	19154.34	6374.55	0.00
I. Gems and Jewellery	90184.72	11671.76	0.00
J. Construction	9165.05	6931.16	0.00
K. Infrastructure	117148.48	67580.70	0.00
L. Computer Software	7.50	7.50	0.00
M. Other Industry	10210.74	9003.55	0.00
N. Residual Other Advances	109.78	20.91	0.00

O.Trading	24.91	20.08	0.00
P Beverages &Tobacco	1899.31	1161.58	0.00
Q.Leather and Leather Products	317.39	187.66	0.00
R. Wood and Wood Products	1380.24	655.47	0.00
S. Paper and Paper products	1538.61	1005.48	0.00
T. Petroleum(non infra),Coal Products(Non mining) and Nuclear Fuels	3420.15	2573.61	0.00

(o) Geography-wise NPA and provisions as on 31.12.2019

(i)

(Rs. in million)

Amount of NPA	Overseas (Outside India)	Domestic (In India)
798228.82	33143.32	765085.50

(ii)

(Rs. in million)

Provisions	Overseas (Outside India)	Domestic (In India)
Specific provisions	12599.75	15752.70
General Provisions	13256.91	444557.87

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

Qualitative Disclosures:

(a)

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

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

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

- FITCH
- Moody’s
- Standard & Poor

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

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

(ii) Quantitative Disclosures:

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

(Rs. in million)

Particulars	**31.12.2019**	**31.12.2018**
i) Below 100% risk weight exposure outstanding	4168316.06	3930173.96
ii) 100% risk weight exposure outstanding	884259.74	971615.28
iii) More than 100% risk weight exposure outstanding	596892.97	671912.73
iv) Deducted	0.00	284.79

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

(Rs. in million)

	31.12.2018	**31.03.2019**	**30.06.2019**	**30.09.2019**	**31.12.2019**
Capital Measure	365459.30	323538.00	324621.00	514790.48	512204.52
Exposure Measure	8206450.56	8339797.74	8124768.68	8586055.92	8736321.69
Leverage Ratio	4.45%	3.88%	4.00%	6.00%	5.86%

QUALITATIVE DISCLOSURE ON LIQUIDITY COVERAGE RATIO

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

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

LCR has two components:

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

Definition of LCR:

$$\frac{\text{Stock of high quality liquid assets (HQLAs)}}{\text{Total net cash outflows over the next 30 calendar days}} \geq 100\%$$

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

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

For Q3 FY’2019-20, the daily average LCR was 189.27% (based on simple average of daily observations) at consolidated level, as against the regulatory requirement of 100%.

The main drivers of LCR of the bank are High Quality Liquid Assets (HQLAs) to meet liquidity needs of the bank at all times and basic funding from retail and small business customers. The retail and small business customer’s contribute about 67.88% of total deposit portfolio of the bank which attracts low run-off factor of 5/10% as on 31.12.2019.

Composition of High Quality Liquid Assets (HQLA)

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

Level-1assets are those assets which are highly liquid. For quarter ended December 31, 2019, the Level-1 asset of the bank includes Cash in Hand, Excess CRR, Government Securities in excess of minimum SLR, Marketable securities issued or guaranteed by foreign sovereign, MSF and FALLCR totalling to Rs. 189338.73 cr (based on simple average of daily observations).

Level-2A & 2B assets are those assets which are less liquid and their weighted amount comes to Rs. 7001 cr (based on simple average of daily observations). Break-up of daily observation Average HQLA during quarter ended December 31, 2019 is given here under:

High Quality Liquid Assets (HQLAs)	**Average %age contribution to HQLA**
Level 1 Assets	
Cash in hand	**0.91%**
Excess CRR balance	**0.44%**
Government Securities in excess of minimum SLR requirement	**39.45%**
Government securities within the mandatory SLR requirement, to the extent allowed by RBI under MSF (presently to the extent of 2 per cent of NDTL)	**7.02%**
Marketable securities issued or guaranteed by foreign sovereigns having 0% risk-weight under Basel II Standardized Approach	**1.22%**
Facility to avail Liquidity for Liquidity Coverage Ratio – FALLCR (presently to the extent of 13 per cent of NDTL)	**47.39%**
Total Level 1 Assets	**96.43%**
Total Level 2A Assets	**3.38%**
Total Level 2B Assets	**0.19%**
Total Stock of HQLAs	**100.00%**

Concentration of Funding Sources

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

The bank has no significant counterparty (deposits/borrowings) as at 31.12.2019. Top 20 depositors of the bank constitute 3.32% of bank’s total liability as at December 31, 2019. The significant product/ instrument includes Saving Fund, Current deposit, Core Term Deposit, and Inter-bank term deposit, the funding from which are widely spread and cannot create concentration risk for the bank.

Derivative exposure

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

Currency Mismatch

As per RBI guidelines, a currency is considered as "significant" if the aggregate liabilities denominated in that currency amount to 5 per cent or more of the bank's total liabilities. In our case, only USD (6.21% of bank's total liabilities) falls in this criteria whose impact on total outflows in LCR horizon can be managed easily as the impact is not large considering the size of balance sheet of the bank.

Degree of centralization of liquidity management and interaction between group's units

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

Important Ratios on Solo Basis

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

Punjab National Bank

	Solo	
	31.12.2019	**31.12.2018**
Common Equity Tier 1 Capital ratio (%) (Basel- III)	10.64	6.93
Tier 1 Capital ratio (%) (Basel- III)	11.85	8.25
Tier 2 Capital ratio (%) (Basel- III)	2.18	2.27
Total Capital ratio (CRAR) (%) (Basel- III)	14.03	10.52

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

(Rs. in million)

Industry Name	31.12.2019
	Solo
A. Mining and Quarrying (A.1 + A.2)	15127.77
A.1 Coal	4686.27
A.2 Others	10441.50
B. Food Processing (B.1 to B.4)	103084.78
B.1 Sugar	50219.72
B.2 Edible Oils and Vanaspati	17525.64
B.3 Tea	39.85
B.4 Coffee	23.08
B.5 Others	35276.49
C. Beverages (excluding Tea & Coffee) and Tobacco	4671.48
C.1 Tabacco & tobacco Products	214.22
C.2 Others	4457.26
D. Textiles (a to d)	84998.59
a. Cotton	27634.22
b. Jute	1673.47
c. Man Made	7898.73
d. Others	47792.17
E. Leather and Leather products	7581.51
F. Wood and Wood Products	5113.10
G. Paper and Paper Products	10633.44
H. Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	35894.52
I. Chemicals and Chemical Products (Dyes, Paints, etc.) (I.1 to I.4)	66096.02

I.1 Fertilizers	9181.40
I.2 Drugs and Pharmaceuticals	18445.49
I.3 Petro-chemicals (excluding under Infrastructure)	22087.34
I.4 Others	16381.79
J. Rubber, Plastic and their Products	13963.22
K. Glass & Glassware	1388.48
L. Cement and Cement Products	9483.43
M. Basic Metal and Metal Products (M.1 + M.2)	220498.79
M.1 Iron and Steel	201757.72
M.2 Other Metal and Metal Products	18741.07
N. All Engineering (N.1 + N.2)	38041.69
N.1 Electronics	7336.09
N.2 Others	30705.60
O. Vehicles, Vehicle Parts and Transport Equipments	10921.94
P. Gems and Jewellery	23344.30
Q. Construction	16228.68
R. Infrastructure (a to d)	671700.20
a. Energy	320524.10
b. Transport	166242.10
c. Communication	134195.00
d. Others	50739.00
S. Other Industries	134697.56
T. **All Industries (A to S)**	**1473469.50**
Residuary advances	**3240091.19**
Total Loans and Advances	**4713560.69**

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

(Rs. in million)

S.No.	Industry Name	Amount – 31.12.2019
		Solo
1	Energy	320524.10

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

(Rs in Million)

Industry Name	31.12.2019
	Solo
A. Mining and Quarrying (A.1 + A.2)	526.57
A.1 Coal	335.25
A.2 Others	191.32

B. Food Processing (B.1 to B.4)	6064.13
B.1 Sugar	2298.09
B.2 Edible Oils and Vanaspati	1865.25
B.3 Tea	2.54
B.4 Coffee	0.00
B.5 Others	1898.25
C. Beverages (excluding Tea & Coffee) and Tobacco	365.68
C.1 Tabacco & tobacco Products	8.04
C.2 Others	357.64
D. Textiles (a to c)	5560.07
a. Cotton	918.59
b. Jute	387.01
c. Man Made	227.31
d. Others	4027.16
E. Leather and Leather products	582.88
F. Wood and Wood Products	301.08
G. Paper and Paper Products	1882.97
H. Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	132.95
I.Chemicals & Chemical Products(Dyes,Paints etc)	11748.10
I.1 Fertilizers	2388.21
I.2 Drugs and Pharmaceuticals	3702.56
I.3 Petro-chemicals (excluding under Infrastructure)	1764.43
I.4 Others	3892.90
J. Rubber, Plastic and their Products	2117.32
K. Glass & Glassware	137.37
L. Cement and Cement Products	2249.58
M. Basic Metal and Metal Products (M.1 + M.2)	142123.38
M.1 Iron and Steel	137871.51
M.2 Other Metal and Metal Products	4251.87
N. All Engineering (N.1 + N.2)	36678.06
N.1 Electronics	8059.78
N.2 Others	28618.28
O. Vehicles, Vehicle Parts and Transport Equipments	1132.01
P. Gems and Jewellery	621.24
Q. Construction	39889.68
R. Infrastructure (a to d)	123749.40
a. Energy	60485.70
b. Transport	33528.00
c. Communication	17774.70
d. Others	11961.00
S. Other Industries	33082.88
T. **All Industries (A to S)**	**408945.35**

Residuary advances	**125366.69**
Total Loans and Advances	**534312.04**

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

(Rs in Million)

S.No.	Industry Name	Amount -31.12.2019
		Solo
1	Iron & Steel	137871.51
2	Energy	60485.70
3	Other Engineering	28618.28
4	Construction (Other Than Infrastructure)	39889.68
5.	Transport	33528.00

(c) The NPA Ratios are as under:

NPA Ratios	Solo	
	31.12.2019	**31.12.2018**
% of Gross NPAs to Gross Advances	16.30	16.33
% of Net NPAs to Net Advances	7.18	8.22

HO: NEW DELHI
Annexure-A

LCR Disclosure Template as at 31.12.2019					
QUANTITATIVE DISCLOSURE (On consolidated basis (including domestic & foreign subsidiaries)					
					Rs. in Crore
		31.12.2019		30.09.2019	
		Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)*	Total Weighted Value (average)*
	Based on the simple average of daily observations	62 Data Points		62 Data Points	
High Quality Liquid Assets					
1	Total High Quality Liquid Assets (HQLA)		196339.73		172864.30
Cash Outflows					
2	Retail deposits and deposits from small business customers of which :	468031.49	43683.29	453145.61	42734.02
(i)	Stable deposits	62397.24	3119.86	61457.02	3192.47
(ii)	Less stable deposits	405634.25	40563.43	391688.58	39541.56
3	Unsecured wholesale funding, of which:	134192.23	71700.33	130275.27	69695.72
(i)	Operational deposits (all counterparties)	0.00	0.00	0.00	0.00
(ii)	Non-operational deposits (all counterparties)	134192.23	71700.33	130275.27	69695.72
(iii)	Unsecured debt	0.00	0.00	0.00	0.00
4	Secured wholesale funding		0.00		0.00
5	Additional requirements, of which	76960.29	6723.34	75453.89	5907.48
(i)	Outflows related to derivative exposures and other collateral requirements	14.33	14.33	5.22	5.22
(ii)	Outflows related to loss of funding on debt products	0.00	0.00	0.00	0.00
(iii)	Credit and liquidity facilities	76945.96	6709.01	75448.67	5902.27
6	Other contractual funding obligations	0.00	0.00	0.00	0.00
7	Other contingent funding obligations	56558.73	1730.31	55272.27	1685.28
8	Total Cash Outflows		123837.26		120022.51
Cash Inflows					
9	Secured lending (e.g. reverse repos)	31610.55	0.00	21814.77	0.00
10	Inflows from fully performing exposures	19642.58	15955.48	19644.37	16083.58
11	Other cash inflows	4146.52	4146.52	7238.62	7238.62
12	Total Cash Inflows	55399.65	20102.00	48697.76	23322.20
Total Adjusted Value					
13	TOTAL HQLA		196339.73		172864.30
14	Total Net Cash Outflows		103735.26		96700.31
15	Liquidity Coverage Ratio (%)		189.27%		178.76%
** Simple averages of Daily observations over previous quarter*					