


STOCK UPDATE

Result Update - Q3FY2026

SECTOR

Banking

COMPANY DETAILS

Market cap:	Rs. 1,44,926 cr
52-week high/low:	Rs. 135 / 86
NSE volume: (No of shares)	1.66 lakh
BSE code:	532461
NSE code:	PNB
Free float: (No of shares)	344.0 cr

Source: NSE, BSE, Mirae Asset Sharekhan Research

SHAREHOLDING (%)

Promoters	70.1
FII	5.9
DII	16.1
Others	7.9

Source: NSE, BSE, Mirae Asset Sharekhan Research

PRICE CHART


Source: NSE, BSE, Mirae Asset Sharekhan Research

PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	6.9	12.6	13.0	27.7
Relative to Sensex	8.9	13.5	11.1	19.0

Source: Mirae Asset Sharekhan Research, Bloomberg

 Reco/View: **BUY**

 CMP: **Rs. 128**

 Price Target: **Rs. 145**
Quick Snapshot

- NIMs fell 8 bps q-o-q, missing the mark; Q4 margins are expected to be stable.
- Non-interest income grew strongly driven by treasury income and recoveries, which boosted topline growth.
- Additional floating provisions drove up credit costs, core credit costs remained soft. PAT rose 13%, above expectations.
- Outlook steady on asset quality and credit growth; maintain Buy with a revised PT of Rs. 145.

Result overview

- NII fell 4.5% owing a to 41 bps y-o-y and 8 bps q-o-q fall in NIM to 2.52%. Yield on loans was down 21 bps q-o-q as repo rate cut led to lower repricing of 51.9% loans that are linked to it. Decline in cost of funds was lower at 8 bps q-o-q as the bank did not cut its deposit rates much, sighting overall PAT visibility. However, post Q3, management has cut deposit rates 20-30 bps and expects NIM to be stable in Q4FY26.
- Fee income rose 9.2% y-o-y, the bank had treasury income of Rs. 1337 crore, up 33% y-o-y and strong recoveries from written-off accounts at Rs. 1956 crore, up 137.6% y-o-y.
- Operating expenses growth was controlled at 3.2% y-o-y, cost-to-income ratio down to 51.9% versus 54.2% y-o-y.
- Total provisions jumped 78.8% q-o-q, as the bank made floating provisions worth Rs. 955 crore for the ECL transition. Management expects incremental 15 bps credit cost to build total required provisions for ECL compliance.
- Despite higher provisions, net profit increased by 13.1% y-o-y to Rs. 5100 led by higher other income.
- Fresh slippages fell to Rs. 1901 crore versus Rs. 1955 crore q-o-q and slippage ratio was down to 67 bps versus 71 bps q-o-q. Loans worth Rs639 crore were upgraded in Q3 while write-off was at Rs. 1237 crore. GNPA and NNPA declined 26 bps and 4 bps QoQ to 3.19% and 0.32%, respectively. The bank expects GNPA to fall below the 3% mark.
- Advances grew 11.8% y-o-y and 5.5% q-o-q, within which MSME loans were up 18.1% y-o-y and retail loans (ex-IBPC) were up 18.9% y-o-y. Corporate book surged 8.9% q-o-q.
- Deposits at 8.5% y-o-y, lagged loan growth, credit-deposit ratio stood at 72% (versus 69.9% y-o-y) remains on the lower side as compared to peers.

Our Call

Barring margins, most other key parameters were stable or improved. Going ahead the bank is well placed to maintain respectable growth and decent return ratios on the back of stable NIMs, strong recoveries and benign credit costs. We value the bank at ~1.0x FY28E book value to arrive at revised PT of Rs. 145, maintain Buy.

Key Risks

Persistent pressure on margins and increase in credit costs could affect financial performance.

Valuation

Particulars	FY24	FY25	FY26E	FY27E	FY28E
Net Interest Income	40,083	42,782	43,231	49,954	56,086
Net profit	8,245	16,630	16,587	18,752	20,670
EPS (Rs)	7.5	14.8	11.5	13.7	15.6
P/E (x)	17.1	8.7	11.2	9.4	8.2
P/BV (x)	1.4	1.2	1.1	1.0	0.9
RoE %	8.0	14.2	12.4	12.6	12.5
RoA %	0.5	1.0	0.9	0.9	0.9

Source: Company; Mirae Asset Sharekhan estimates

Note: CMP as on Jan 19, 2026

Concall Highlights:**Asset Quality**

- **Underwriting quality:** Management highlighted that for loans sanctioned between July 2020 and December 2025 (totalling Rs. 13.20 lakh crore), the NPA rate is only 0.41%, which they cited as evidence of “safe underwriting” standards.
- **SMA (Special Mention Accounts):** Total SMA (0, 1, and 2) across the entire portfolio stands at 4.61%. Specifically, SMA 0 is Rs. 34,176 crore, SMA 1 is Rs. 9,439 crore, and SMA 2 is Rs. 13,122 crore.
- **Provision coverage ratio (PCR):** It stands at 96.99%, exceeding the bank’s guidance of 96% for the full fiscal.
- **NPA recoveries:** Total recoveries in Q4 to exceed Rs 4,000 crore and has annual targets of Rs. 13,000-15,000 crore for the following two years.

NIMs

- **Dynamics:** Yields on advances reduced following a repo rate cut in December, which was passed on immediately to the more than 50% of the portfolio linked to repo rates. However, the bank opted not to cut deposit rates simultaneously to maintain customer interests, leading to a dip in NIMs.
- **Outlook:** Bank expects NIMs to remain at Q3 levels for Q4. Full-year guidance for domestic NIM is approximately 2.70%, with global NIM expected to close at 2.60%. In FY27, improvement is expected as high-cost deposits reprice. Approximately Rs. 2.48 lakh crore in deposits were mobilised at 7.25–7.75%; 70% of these repriced by December, with the remainder expected to reprice by May 2026, potentially reducing deposit costs by 60-70 bps.

Business Growth

- **RAM segment:** The retail, agriculture, and MSME (RAM) portfolio reached 6.62 Lakh crore, accounting for 56.7% of domestic advances.
- **Corporate growth:** Corporate loan growth was more moderate at 9.5% as the bank is intentionally shedding low-yielding advances to replace them with higher-yielding credit.
- **Credit cards:** Bank launched a new metal credit card, called PNB Luxura, specifically designed for high-net-worth individuals (HNIs), high-end professionals, and affluent business owners. Management noted good traction for the product and has set a target to issue more than 10,000 PNB luxura cards by March 31, 2026.

Provisions and ECL transition

- Major highlight of the quarter was the bank’s proactive approach to the upcoming Expected credit Loss (ECL) implementation, scheduled for April 1, 2027.
- **ECL impact:** Management estimates a total capital requirement of 9,000 to 10,000 crore for full ECL implementation over five years. This translates to a requirement of approximately Rs. 500 crore per quarter.
- **Credit Cost:** While the actual required provision for slippages was only Rs. 386 crore, the deliberate addition of floating provisions resulted in an elevated credit cost of 0.46%.

Future guidance and outlook

Management expressed confidence in maintaining consistent performance and meeting its annual targets.

- **Credit & deposit growth:** FY26 guidance for loan growth remains at 11-12%, while deposit growth is targeted at 9-10%.
- **Asset quality:** Bank aims to keep GNPA below 3% and net NPA below 0.35%. The slippage ratio is guided to remain below 1% for the full fiscal.
- **Digital transformation:** The bank is heavily investing in digital enablers, with 95% of transactions now occurring through digital channels and every third loan being sanctioned in digital mode.
- **Expansion:** PNB has opened 82 new branches this financial year and plans to open another 100 branches in the next six months to increase outreach.
- **Operating efficiency:** The bank had guided for 8-9% growth in operating profit but has already exceeded this with 13% growth in Q3FY26; they remain committed to maintaining this momentum.
- **RoA:** It is expected to remain above 1% mark going ahead.

Result Table

	Rs cr				
Particulars (Rs Cr)	Q3FY26	Q3FY25	y-o-y	Q2FY26	QoQ
Net Interest Income	10,533	11,032	-4.5%	10,469	0.6%
Other income	5,022	3,412	47.2%	4,342	15.7%
Net Income	15,555	14,444	7.7%	14,811	5.0%
Opex	8,074	7,824	3.2%	7,584	6.5%
Operating Profit	7,481	6,621	13.0%	7,227	3.5%
Provisions	1,150	-285	-	643	78.8%
PAT	5,100	4,508	13.1%	4,904	4.0%
Advances	11,96,208	10,69,957	11.8%	11,33,780	5.5%
Deposits	16,60,290	15,29,699	8.5%	16,17,080	2.7%
NIMs %	2.52	2.93	-41 bps	2.60	-8 bps
GNPA %	3.19	4.09	-90 bps	3.45	-26 bps
NNPA %	0.32	0.41	-9 bps	0.36	-4 bps
PCR %	90.2	90.2	2 bps	90.0	23 bps

Source: Company; Mirae Asset Sharekhan Research

Additional Data
Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Republic of India	70.08
2	LIC	8.85
3	SBI Funds	2.67
4	Vanguard Group INC	0.87
5	Blackrock INC	0.81
6	Kotak Mahindra Asset Man	0.62
7	Nippon Life India Asset	0.59
8	ICICI Prud. AMC	0.37
9	SBI Pension Funds	0.26
10	L&T Mutual Funds	0.25

Source: Bloomberg

Key management personnel

Name	Designation
MD & CEO	Shri Ashok Chandra
CFO & ED	Shri Raman Grover
Non Executive Chairman	Mr. K G Ananthakrishnan

Source: Company Website

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