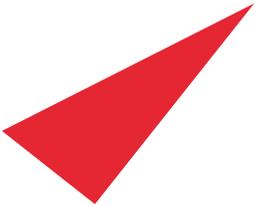


Stock Update

Punjab National Bank

Dec 31, 2025



Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
BFSI – PSU Bank	Rs 123.6	Buy in Rs 123-126 band and add on dips in Rs 104-107 band	Rs 139	Rs 152	2-3 quarters

HDFC Scrip Code	PUNNATEQNR
BSE Code	532461
NSE Code	PNB
Bloomberg	PNB IN
CMP Dec 31, 2025	123.6
Equity Capital (Rs Cr)	2298.6
Face Value (Rs)	2
Equity Share O/S (Cr)	1149.3
Market Cap (Rs Cr)	142053
Adj. Book Value (Rs)	103.4
Avg. 52 Wk Volumes	2,23,48,000
52 Week High	127.8
52 Week Low	85.5

Share holding Pattern % (Sep, 2025)	
Promoters	70.1
Institutions	21.2
Non Institutions	8.7
Total	100.0



* Refer at the end for explanation on Risk Ratings

Fundamental Research Analyst

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Our Take:

Incorporated in 1894, Punjab National Bank (PNB) was merged with United Bank of India and Oriental Bank of Commerce on April 1, 2020, to form the third largest PSB and the fifth largest bank in the Indian banking system in terms of net advances. It had a market share of 5.9% and 6.9% in net advances and total deposits, respectively, as on September 30, 2025, with the GoI holding a majority stake (70.08%). It had a network of 10,228 domestic branches and 11,187 ATMs as of September 30, 2025.

PNB continues to report an improvement in its headline asset quality indicators, with slippages moderating to below 1%. Additionally, the bank maintains a provision cover of over 90%, insulating it from sharp reduction in profits in the medium term. Credit costs have declined significantly and are under control, driving improved profitability over the next few years.

The Bank successfully raised Rs 5000cr through a QIP in Sep'24 to strengthen its balance sheet, boosting its capital adequacy ratio. It continues to get strong support from the Government, which remains a majority shareholder with over 70% stake.

Q2FY26 Result Update and Concall Highlights

PNB reported robust Q2FY26 results with net profit of Rs 4,904 crore, up 14% YoY, driven by improved asset quality and operational efficiency. NII slipped 0.5% YoY to Rs 10,469 cr due to slower growth in interest income. Operating profit rose to Rs 7,227cr, a 5.5% YoY increase, while domestic NIM stood at 2.72% with expected sequential improvement of 15 bps over H2 FY26 from deposit repricing and CRR cuts. ROA improved to 1.05% and ROE to 17.95%, with a cost-to-income ratio at 51.20%.

GNPA declined to 3.45% from 4.48% YoY, and NNPA to 0.36% from 0.46%, with PCR at 96.91%. Fresh slippages were Rs 1,955cr (annualised 0.71%), below 1% guidance, with recoveries of Rs 3,920 cr; credit cost turned negative due to provision writebacks. SMA levels totaled 5.75% (SMA-0: 3.67%, SMA-1: 0.90%, SMA-2: 1.18%).

RAM advances hit 56.8% of domestic book, targeting 60% for yield improvement, with Rs 1.78 lakh crore sanction pipeline (40% project finance). CASA ratio rose to 37.3%, aided by 27.67 lakh new accounts, adding 18,200 cr; digital transactions neared 95%, with 53% UPI growth on the PNB One app.

Management Guidance & Comments:

- Management maintained its guidance of 11-12% loan book growth in FY26.
- NIM expected to improve 5bps in Q3 and 10bps in Q4.
- Corporate credit, which had lagged earlier, is likely to pick up as 1.8 lakh crore of sanctioned credit awaits disbursal.
- Improved recoveries in H2FY26 with overall guidance of ~Rs 16000cr maintained.
- Management eyes ROA at 1.10%, fee income growth via supply chain finance, and M&A lending opportunities.

Key Risks

- Profit surged partly from tax benefits and provision reversals, not core operations; NII dipped 0.8% QoQ despite loan growth.
- Yield compression on advances amid repo cuts and MCLR repricing, with NIM at 2.60% globally.
- Government ownership limits flexibility; potential mergers add uncertainty.
- Historical operational challenges persist despite controls; ECL transition may impact CRAR by 75-80 bps.
- Heavy corporate/project finance (sanction pipeline) vulnerable to economic slowdowns in infra/energy.

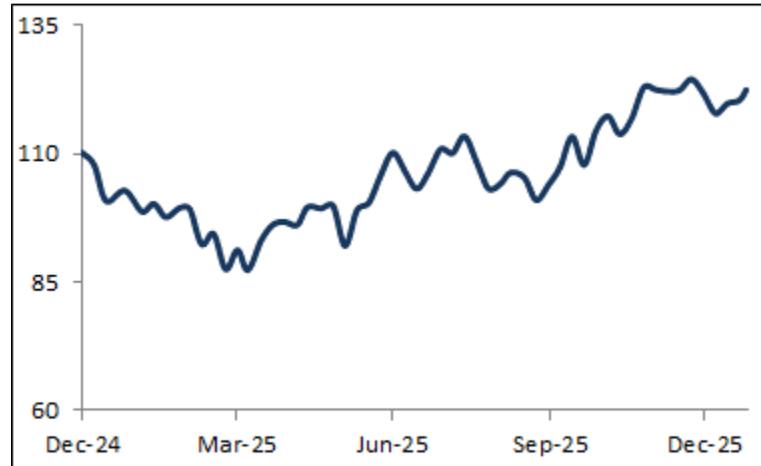
Valuation & Recommendation:

PNB is focusing on increasing the share of RAM advances to improve its yield and make the book more granular. With sanctioned credit lines of ~Rs 1.8 lakh crore, the trajectory for loan book growth remains robust. Improving yields, stable slippages and controlled credit costs are likely to drive higher return ratios in the coming quarters. We believe investors can buy the stock at CMP and add on dips in Rs 104-107 band (0.8x Sep'27E ABV) for the base case fair value of Rs 139 (1.05x Sep'27E ABV) and the bull case fair value of Rs 152 (1.15x Sep'27E ABV) over the next 2-3 quarters.

Financial Summary:

Particulars (Rs cr)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	FY25	FY26E	FY27E	FY28E
NII	10469	10517	-0.5	10578	-1.0	42782	43882	48353	53072
PPoP	7227	6853	5.5	7081	2.1	26831	27142	30253	33535
APAT	4904	4303	13.9	1675	192.8	16630	15211	21373	23892
Diluted EPS (Rs)	4.3	3.7	13.9	1.5	192.8	14.5	13.2	18.6	20.8
ABVPS (Rs)						98.6	110.0	124.7	140.5
P/E (x)						8.5	9.3	6.6	5.9
P/ABV (x)						1.3	1.1	1.0	0.9
RoAE (%)						14.2	11.4	14.4	14.4
RoAA (%)						1.0	0.8	1.0	1.0

One Year Price chart



HDFC Sec Prime Research Rating description

Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. These stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclical of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

Rating Criteria

Buy - > 15%+ return potential

Add - +5% to +15% return potential

Reduce - -10% to +5% return potential

Sell - >10% downside return potential

Disclosure:

I, **Atul Karwa**, Research Analyst, **MMS**, author and the name subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. SEBI conducted the inspection and based on their observations have issued advise/warning. The said observations have been complied with. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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Any holding in stock – No

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