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NEW DELHI

Punjab National Bank's net profit rose 11% to Rs230 crore in the December quarter, helped by the sale of non-core assets, even though the bank incurred huge treasury losses.

The bank had reported a profit of Rs207 crore in the quarter ended December 2016. The bank managed to improve its asset quality, as gross non-performing assets fell to 12.11% by December end from 13.7% a year ago, and 13.31% in the preceding quarter. Net NPAs also fell to 7.55% from 9.09% as of end December 2016 and 8.44% as of September 2017.

Sunil Mehta, managing director and chief executive officer of Punjab National Bank, said the bank will look to raise more money from sale of non-core assets. "This will include stake sale in subsidiaries like Principal PNB Asset Management Co. and monetisation of the large real estate holdings. The bank will also look to further tighten its processes and rationalize the branch network for cost efficiencies," he said.

The bank received Rs1,231 crore by diluting its holding in PNB Housing Finance Co.,



PNB's non-performing assets fell to 12.11% by December end.

helping offset treasury losses. Most banks have taken a huge hit on their treasury portfolio as the government's decision to increase its borrowing impacted bond yields.

Total provisions rose 56% to Rs4,015 crore as the bank had to provide for depreciation on investments. Due to treasury losses, the bank made a provision of Rs1,075 crore for depreciation of investments as against Rs130 crore in the corresponding year ago period. Provision for bad debts was nearly unchanged at Rs2,996 crore. Provision coverage ratio improved to more than 60%.

Gross advances rose 17% as the bank expanded its retail credit portfolio. Mehta said the bank will use the capital it received from the government

to step up lending and take haircuts to settle bad loan cases. It also hopes to see some of the NPA cases being presided over the National Company Law Tribunal to be decided by March which will help in bringing down its NPA exposure.

PNB will receive Rs5,473 crore from the government through a mix of recapitalization bonds and direct infusion in 2017-18. Capital adequacy of the bank was at 11.58%.

Net interest income rose 7% to Rs 3,989 crore while other income was up 44% at Rs3,082 crore.

Net interest margin, a key measure of profitability, narrowed to 2.59% in the nine month period ended 31 December from 2.76% in the corresponding year ago period. On Tuesday, Punjab National Bank's shares fell 1.8% to Rs160.45 on BSE, while the exchange's benchmark Sensex fell 1.61% to 34,195.94 points.

"Gross NPAs have not come down in absolute terms but the ratios have improved because the advances book has grown. The core operating performance of the bank is not very good but the strong 17% growth in loan book is a positive," said Asutosh Mishra, Lead Analyst-Institutional Equity (Banking and NBFC) at Reliance Securities Ltd.