



पंजाब नैशनल बैंक



punjab national bank

Share Department, Board & Co-Ordination Division, HO Plot No.4 Sector 10, Dwarka, New Delhi-110075
Tel No: 011-28044857 E-mail: hosd@pnb.co.in

| | |
|--|---|
| Scrip Code : PNB | Scrip Code : 532461 |
| The Asstt. Vice President National Stock Exchange of India Limited "Exchange Plaza" Bandra – Kurla Complex, Bandra (E) Mumbai – 400 051 | The Dy General Manager Bombay Stock Exchange Limited 1 st Floor, PhirozeJeejeebhoy Towers, Dalal Street, Mumbai – 400 001 |

Date: 09.07.2020

Dear Sir (s),

Reg.: Outcome of Board Meeting under Regulation 30 of SEBI (LODR) Regulations, 2015

Further to our letter dated 06.07.2020, the Exchange is hereby informed that the Board of Directors of the Bank in its meeting held today i.e. 09th July, 2020 has approved the following:

- Opening Balance Sheet of the Amalgamated Bank as at 01st April 2020, i.e. post amalgamation of Oriental Bank of Commerce and United Bank of India into Punjab National Bank (copy enclosed).
- Raising of capital through issue of equity shares and Basel III Compliant Tier 2 Bonds by way of Private Placement, Qualified Institutions Placement ("QIP"), Further Public Offer ("FPO"), Rights Issue or any other mode or through a combination thereof up to an amount of Rs.10000 Crore and seeking approval of the shareholders for raising of equity capital for an amount upto Rs.7000 Crore in the forthcoming AGM.
- Appropriation of accumulated losses of Rs.28707.92 Crore from the Share Premium Account of Amalgamated Bank (PNB) and seeking approval of the shareholders in the forthcoming AGM for the same.

The meeting commenced at 11.00 a.m. and concluded at 04.30 p.m.

The above is submitted in compliance of Regulation 30 of SEBI (LODR) Regulations, 2015.

Thanking you,

Yours faithfully,


(Ekta Pasricha)
Company Secretary





PUNJAB NATIONAL BANK

OPENING BALANCE SHEET

(STANDALONE)

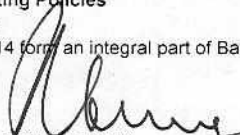
AS AT


01st APRIL, 2020


PUNJAB NATIONAL BANK
Balance Sheet as on 01st April, 2020

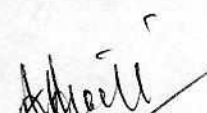
(₹000 omitted)


| CAPITAL & LIABILITIES | Schedule | |
|---|----------|--------------------|
| Capital | 1 | 18821259 |
| Reserves & Surplus | 2 | 832864407 |
| Deposits | 3 | 10715626322 |
| Borrowings | 4 | 665118255 |
| Other Liabilities and Provisions | 5 | 281472502 |
| TOTAL | | 12513902745 |
| | | |
| ASSETS | | |
| Cash & Balances with Reserve Bank of India | 6 | 536831837 |
| Balances with Banks & Money at call & short notice | 7 | 520206679 |
| Investments | 8 | 3717062882 |
| Advances | 9 | 6968486702 |
| Fixed Assets | 10 | 111008010 |
| Other Assets | 11 | 660308635 |
| TOTAL | | 12513902745 |
| | | |
| Contingent Liabilities | 12 | 2596085839 |
| Bills for collection | | 424430971 |
| | | |
| Significant Accounting Policies | 13 | |
| Notes on Accounts | 14 | |
| The Schedules 1 to 14 form an integral part of Balance Sheet. | | |



P K VARSHNEY
ASSISTANT GENERAL MANAGER



R K KHICHI
DY GENERAL MANAGER


PRAVEEN KUMAR SHARMA
GENERAL MANAGER



A K AZAD
EXECUTIVE DIRECTOR



P K SHARMA
CHIEF GENERAL MANAGER & CFO



VIJAY DUBE
EXECUTIVE DIRECTOR



SANJAY KUMAR
EXECUTIVE DIRECTOR


CH. S.S. MALLIKARJUNA RAO
MANAGING DIRECTOR & CEO


DR. R.K. ADVANSHI
EXECUTIVE DIRECTOR


PANKAJ JAIN
DIRECTOR


VIVEK AGGARWAL
DIRECTOR


DR. ASHA BHANDARKER
DIRECTOR

As per our Report of even date

For HDSG & Associates
Chartered Accountants
FRN 002871N

(Dalbir Singh Gulati)
Partner
M No.081024



For G S Mathur & Co.
Chartered Accountants
FRN 008744N

(Rajiv Kumar Wadhawa)
Partner
M No. 091007



For MKPS & Associates
Chartered Accountants
FRN 302014E

(Mahendra Kumar Agrawala)
Partner
M No. 051764



For M K Aggarwal & Co.
Chartered Accountants
FRN 001411N

(Atul Aggarwal)
Partner
M No. 99374



For A John Moris & Co.
Chartered Accountants
FRN 007220S

(G. Kumar)
Partner
M No. 023082



PUNJAB NATIONAL BANK
SCHEDULES TO BALANCE SHEET AS ON 01.04.2020

(₹000 omitted)

SCHEDULE 1 - CAPITAL

Authorised

15,00,00,00,000 Equity Shares of ₹ 2 each

30000000

=====

Issued & Subscribed

9,41,06,29,315

Equity Shares of ₹ 2 each

18821259

=====

Paid Up

9,41,06,29,315

Equity Shares of ₹ 2 each

18821259

=====

(includes equity shares of 8,05,41,25,685)

₹ 2 each held by Central Government)

TOTAL

18821259

=====

(₹000 omitted)

SCHEDULE 2 - RESERVES & SURPLUS

I. Statutory Reserves

Opening Balance
Addition during the year
Deduction during the year

137818370

0

0

137818370

II. Capital Reserves

a) Revaluation Reserve

Opening Balance
Addition during the year
Deduction during the year
(being depreciation on revalued portion of property)
Transfer to Other Reserves

70090811

0

0

0

70090811

b) Others

Opening Balance
Addition during the year

55700680

0

55700680



PUNJAB NATIONAL BANK
SCHEDULES TO BALANCE SHEET AS ON 01.04.2020

| | | | |
|------|--|-----------|------------|
| III. | <u>Amalgamation Adjustment Reserve</u> | | 92682886 |
| IV. | <u>Share Premium</u> | | |
| | Opening Balance | 694698069 | |
| | Addition during the year | 0 | |
| | Deduction during the year | 0 | |
| | | ----- | 694698069 |
| V. | <u>Revenue and other Reserves</u> | | |
| a) | <u>Investment Reserve</u> | | |
| | Opening Balance | 3705193 | |
| | Add :Transfer from P&L Appropriation A/c | 0 | |
| | Less: Transfer to P&L Appropriation A/c | 0 | |
| | | ----- | 3705193 |
| b) | <u>Investment Fluctuation Reserve</u> | | |
| | Opening Balance | 587171 | |
| | Add :Transfer from P&L Appropriation A/c | 0 | |
| | Less: Transfer to P&L Appropriation A/c | 0 | |
| | | ----- | 587171 |
| c) | <u>Exchange Fluctuation Reserve</u> | | |
| | Opening Balance | 4168803 | |
| | Add :Addition during the year | 0 | |
| | Less: Deduction during the year (Net) | 0 | |
| | | ----- | 4168803 |
| d) | <u>Special Reserve under Sec.36(1) (viii) of Income Tax Act, 1961</u> | | |
| | Opening Balance | 32686600 | |
| | Transferred from Other Reserves | 0 | |
| | Addition during the year | 0 | |
| | | ----- | 32686600 |
| e) | <u>Other Reserve</u> | | |
| | Opening Balance | -78765588 | |
| | Addition during the year | 0 | |
| | Less: Withdrawal during the year | 0 | |
| | Add: Transfer from Revaluation Reserves | 0 | |
| | Less: Payment for blocked accounts | 0 | |
| | | ----- | -78765588 |
| VI. | <u>Balance in Profit & Loss Account</u> | | -180508588 |
| | Total of I, II, III, IV,V,VI | | 832864407 |



PUNJAB NATIONAL BANK
SCHEDULES TO BALANCE SHEET AS ON 01.04.2020

(₹000 omitted)

SCHEDULE 3 - DEPOSITS

| | | | |
|----------|---|------------|--------------------|
| A | I. Demand Deposits | | |
| | (i) From Banks | 32600549 | |
| | (ii) From Others | 670289657 | |
| | | ----- | 702890206 |
| | II. Savings Bank Deposits | | 3726758322 |
| | III. Term Deposits | | |
| | (i) From Banks | 290386987 | |
| | (ii) From Others | 5995590807 | |
| | | ----- | 6285977794 |
| | Total I, II & III | | 10715626322 |
| | | | ===== |
| B | (i) Deposits of branches in India | | 10542093193 |
| | (ii) Deposits of branches outside India | | 173533129 |
| | TOTAL B (i) & (ii) | | 10715626322 |
| | | | ===== |

SCHEDULE 4 - BORROWINGS

| | | | |
|-----------|--|----------|------------------|
| I. | <u>Borrowings in India</u> | | |
| | (i) Reserve Bank of India | | 271400000 |
| | (ii) Other Banks | | 61105837 |
| | (iii) Other Institutions and Agencies | | 43166991 |
| | (iv) Unsecured Redeemable Bonds | | |
| | a) Tier-I Bonds (Perpetual Debt Instruments) | 58300000 | |
| | b) Upper Tier-II Bonds | 63200593 | |
| | c) Subordinate debts for Tier II Capital | 65000000 | |
| | d) Long term infrastructure bonds | 28000000 | 214500593 |
| | II. <u>Borrowings outside India</u> | | 74944834 |
| | Total of I, II | | 665118255 |
| | | | ===== |
| | Secured Borrowings included in I & II above | | 268650000 |

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

| | | | |
|-------------|-----------------------------------|--|------------------|
| I. | Bills Payable | | 25490955 |
| II. | Inter-Office adjustments(net) | | 2192330 |
| III. | Interest accrued | | 31775518 |
| IV. | Deferred Tax Liability (Net) | | 0 |
| V. | Others (including Provisions) | | 222013699 |
| | Total of I, II, III, IV, V | | 281472502 |
| | | | ===== |



PUNJAB NATIONAL BANK
SCHEDULES TO BALANCE SHEET AS ON 01.04.2020

(₹000 omitted)

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

| | | |
|------------|---|------------------|
| I. | Cash in hand (including foreign currency notes) | 45287592 |
| II. | Balance with Reserve Bank of India | |
| | In Current Account | 491544245 |
| | In other Account | |
| | Total of I, II | 536831837 |

SCHEDULE 7- BALANCES WITH BANKS & MONEY AT CALL & SHORT NOTICE

| | | |
|------------|-------------------------------------|------------------|
| I. | <u>In India</u> | |
| | (i) Balances with Banks | |
| | a) In Current Accounts | 3231036 |
| | b) In Other Deposit Accounts | 81136778 |
| | | 84367814 |
| | (ii) Money at Call and Short Notice | |
| | a) with Banks | 86000000 |
| | b) with Other Institutions | 247000000 |
| | | 333000000 |
| | TOTAL | 417367814 |
| II. | <u>Outside India</u> | |
| | (i) Balances with Banks | |
| | a) In Current Accounts | 26936931 |
| | b) In Other Deposit Accounts | 75901934 |
| | (ii) Money at Call & Short Notice | 0 |
| | | 102838865 |
| | TOTAL | 102838865 |
| | GRAND TOTAL of I, II | 520206679 |



PUNJAB NATIONAL BANK
SCHEDULES TO BALANCE SHEET AS ON 01.04.2020

(₹000 omitted)

SCHEDULE 8 - INVESTMENTS

| | | |
|------------|--|-------------------|
| I. | <u>Investments in India : Gross</u> | 3711321648 |
| | Less: Provision for Depreciation | 66655643 |
| | Net Investment in India | 3644666005 |
| (i) | Government Securities | 3099604448 |
| (ii) | Other Approved Securities | 843731 |
| (iii) | Shares | 37771174 |
| (iv) | Debentures and Bonds | 318922794 |
| (v) | Subsidiaries and/or joint ventures (including sponsored institutions) | 13240118 |
| (vi) | Others | 174283740 |
| | Various Mutual Funds & Commercial Papers etc. | |
| | TOTAL of I | 3644666005 |
| II. | <u>Investments Outside India : Gross</u> | 72487675 |
| | Less: Provision for depreciation | 90798 |
| | Net Investments outside India | 72396877 |
| (i) | Govt. securities including local authorities | 18136138 |
| (ii) | Subsidiary and / or Joint ventures abroad | 24188677 |
| (iii) | Others | 30072062 |
| | TOTAL of II | 72396877 |
| | GRAND TOTAL of I, II | 3717062882 |



PUNJAB NATIONAL BANK
SCHEDULES TO BALANCE SHEET AS ON 01.04.2020

(₹000 omitted)

SCHEDULE 9 - ADVANCES

| | | |
|----------|--|-------------------|
| A | (i) Bills purchased and discounted | 12695530 |
| | (ii) Cash Credits, Overdrafts & Loans repayable on demand | 4011393254 |
| | (iii) Term Loans | 2944397918 |
| | Total | 6968486702 |
| B | (i) Secured by tangible assets (Includes advances against Book Debts) | 5686215999 |
| | (ii) Covered by Bank/Government guarantees | 56550412 |
| | (iii) Unsecured | 1225720291 |
| | Total | 6968486702 |
| C | I Advances in India | |
| | (i) Priority Sector | 2441247820 |
| | (ii) Public Sector | 1094676329 |
| | (iii) Banks | 65443893 |
| | (iv) Others | 3173906934 |
| | Total | 6775274976 |
| C | II Advances outside India | |
| | (i) Due from Banks | 66894807 |
| | (ii) Due from Others | |
| | (a) Bills Purchased & Discounted | 13116 |
| | (b) Syndicated Loans | 18272238 |
| | (c) Others | 108031565 |
| | Total | 193211726 |
| | GRAND TOTAL (Total of I & II) | 6968486702 |



PUNJAB NATIONAL BANK
SCHEDULES TO BALANCE SHEET AS ON 01.04.2020

(₹000 omitted)

SCHEDULE 10 - FIXED ASSETS

A TANGIBLE ASSETS

I. Premises

| | |
|--|-----------------|
| At cost / valuation as on | 103333157 |
| Additions due to merger | 0 |
| less : Depreciation/Amortisation to date | 12658614 |
| Net Book Value | 90674543 |

II. Other Fixed Assets (Including Furniture & Fixtures)

| | |
|--|-----------------|
| At cost / valuation as on | 82354197 |
| Additions due to merger | 0 |
| less : Depreciation/Amortisation to date | 64088615 |
| Net Book Value | 18265582 |

III. Leased Assets

| | |
|--|----------|
| At cost / valuation as on | 252386 |
| Additions due to merger | 0 |
| less : Depreciation/Amortisation to date | 252386 |
| Net Book Value | 0 |

Total of I, II, III

108940125
=====

B INTANGIBLE ASSETS

Computer Software

| | |
|--|----------------|
| At cost / valuation as on | 8675383 |
| Additions due to merger | 0 |
| less : Depreciation/Amortisation to date | 6609498 |
| Net Book Value | 2065885 |

GRAND TOTAL (A+B)

111006010
=====

SCHEDULE 11 - OTHER ASSETS

| | |
|---|-----------|
| I. Interest accrued | 75005430 |
| II. Tax paid in advance / tax deducted at source | 96672533 |
| III. Stationery and stamps | 146734 |
| IV. Non-banking assets acquired in satisfaction of claims | 652229 |
| V. Deferred tax asset (net) | 284801999 |
| Others | 203029710 |

Total of I, II, III, IV, V, VI

660308635
=====



PUNJAB NATIONAL BANK
SCHEDULES TO BALANCE SHEET AS ON 01.04.2020

(₹000 omitted)

SCHEDULE 12 - CONTINGENT LIABILITIES

| | | |
|---------------------------------------|--|-------------------|
| I | (i) Claims against the Bank not acknowledged as debts | 21093064 |
| | (ii) Disputed income tax and interest tax demands under appeals, references etc. | 87722988 |
| II. | Liability for partly paid investments | 4316916 |
| III. | Liability on account of outstanding forward exchange contracts | 1681888318 |
| IV. | Guarantees given on behalf of constituents: | |
| | (a) In India | 561481973 |
| | (b) Outside India | 23552833 |
| V. | Acceptances, endorsements and other obligations | 184027977 |
| VI. | Other items for which the Bank is contingently liable | 32001770 |
| Total of I, II, III, IV, V, VI | | 2596085839 |

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PUNJAB NATIONAL BANK

SCHEDULE 13 to Opening Balance Sheet (Standalone) as at 01.04.2020

SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF PREPARATION:

The financial statements have been prepared on historical cost basis and conform, in all material aspects, to Generally Accepted Accounting Principles (GAAP) in India unless otherwise stated encompassing applicable statutory provisions, regulatory norms prescribed by Reserve Bank of India (RBI), circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time, Banking Regulation Act 1949, Accounting Standards (AS) and pronouncements issued by The Institute of Chartered Accountants of India (ICAI) and prevailing practices in Banking industry in India.

In respect of foreign offices, statutory provisions and practices prevailing in respective foreign countries are complied with except as specified elsewhere.

The financial statements have been prepared on going concern basis with accrual concept and in accordance with the accounting policies and practices consistently followed unless otherwise stated.

2. USE OF ESTIMATES:

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as on date of the financial statements and the reported income and expenses for the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable.

Future results could differ from these estimates.

Difference between the actual results and estimates is recognized in the period in which the results are known / materialized.

Any revision to the accounting estimates is recognized prospectively in the current and future periods unless otherwise stated.

3. REVENUE RECOGNITION:

3.1 Income & expenditure (other than items referred to in paragraph 3.5) are





generally accounted for on accrual basis.

- 3.2 Income from Non- Performing Assets (NPAs), comprising of advances and investments, is recognized upon realization, as per the prudential norms prescribed by the RBI/ respective country regulators in the case of foreign offices (hereafter collectively referred to as Regulatory Authorities).
- 3.3 Recoveries in NPA accounts (irrespective of the mode / status / stage of recovery actions) are appropriated in the following order of priority : -
 - (a) Expenditure/out of pocket expenses incurred for recovery including under SARFAESI Action (earlier recorded in memorandum dues);
 - (b) Principal irregularities i.e. NPA outstanding in the account gets updated/adjusted, whichever is earlier;
 - (c) Thereafter, towards the interest irregularities/accrued interest.
- 3.4 The sale of NPA is accounted as per guidelines prescribed by RBI and as disclosed under Para 5.3.
- 3.5 Commission (excluding on Government Business), exchange, locker rent, income from merchant banking transactions and Income on Rupee Derivatives designated as "Trading" are accounted for on realization and insurance claims are accounted for on settlement. Interest on overdue inland bills is being accounted for on realization and interest on overdue foreign bill, till its crystallization is accounted for on crystallization and thereafter on realization.
- 3.6 In case of suit filed accounts, related legal and other expenses incurred are charged to Profit & Loss Account and on recovery the same are accounted for as such.
- 3.7 Income from interest on refund of income tax is accounted for in the year the order is passed by the concerned authority.
- 3.8 Lease payments including cost escalation for assets taken on operating lease are recognized in the Profit and Loss Account over the lease term in accordance with the AS 19 (Leases) issued by ICAI.
- 3.9 Provision for Reward Points on Credit cards is made based on the accumulated outstanding points in each category.
- 3.10 Interest on unpaid and unclaimed matured term deposits is accounted for at savings bank rate.





3.11 Dividend (excluding Interim Dividend) is accounted for as and when the right to receive the dividend is established.

4. INVESTMENTS:

4.1 The transactions in Securities are recorded on "Settlement Date".

4.2 Investments are classified into six categories as stipulated in form A of the third schedule to the Banking Regulation Act, 1949.

4.3 Investments have been categorized into "Held to Maturity", "Available for Sale" and "Held for Trading" in terms of RBI guidelines as under:

(a) Securities acquired by the Bank with an intention to hold till maturity are classified under "Held to Maturity".

(b) The securities acquired by the Bank with an intention to trade by taking advantages of short-term price/ interest rate movements are classified under "Held for Trading".

(c) The securities, which do not fall within the above two categories, are classified under "Available for Sale".

4.4 Investments in subsidiaries, joint ventures and associates are classified as HTM.

4.5 Transfer of securities from one category to another is carried out at the lower of acquisition cost/ book value/ market value on the date of transfer. The depreciation, if any, on such transfer is fully provided for.

However, transfer of securities from HTM category to AFS category is carried out on book value. After transfer, these securities are immediately revalued and resultant depreciation, if any, is provided.

An investment is classified as HTM, HFT or AFS at the time of its purchase and subsequent shifting amongst categories is done in conformity with regulatory guidelines.

4.6 In determining acquisition cost of an investment

(a) Brokerage, commission, Securities Transaction Tax (STT) etc. paid in connection with acquisition of securities are treated as revenue expenses upfront and excluded from cost.

(b) Interest accrued up to the date of acquisition/sale of securities i.e. broken-period interest is excluded from the acquisition cost/sale consideration and





the same is accounted in interest accrued but not due account.

- (c) Cost is determined on the weighted average cost method for all categories of investments.

4.7 Investments are valued as per RBI/ FIMMDA guidelines, on the following basis:

Held to Maturity

- (i) Investments under "Held to Maturity "category are carried at acquisition cost.

Wherever the book value is higher than the face value/redemption value, the premium is amortized over the remaining period to maturity on straight line basis. Such amortization of premium is reflected in Interest Earned under the head "Income on investments" as a deduction.

- (ii) Investments in subsidiaries/joint ventures/associates are valued at carrying cost less diminution, other than temporary in nature for each investment individually.
- (iii) Investments in sponsored regional rural banks are valued at carrying cost.
- (iv) Investment in Venture Capital is valued at carrying cost.
- (v) Equity shares held in HTM category are valued at carrying cost.

Available for Sale and Held for Trading:

| | | |
|-----|--|--|
| (a) | Govt. Securities | |
| | I. Central Govt. Securities | At market prices/YTM as published by Fixed Income Money Market and Derivatives Association of India (FIMMDA) / Financial Benchmark India Pvt. Ltd (FBIL). |
| | II. State Govt. Securities | On appropriate yield to maturity basis as per FIMMDA/RBI guidelines. |
| (b) | Securities guaranteed by Central / State Government, PSU Bonds (not in the nature of advances) | On appropriate yield to maturity basis as per FIMMDA/RBI guidelines |
| (c) | Treasury Bills | At carrying cost |
| (d) | Equity shares | At market price, if quoted, otherwise at breakup value of the Shares as per latest Balance Sheet (not more than one year old), otherwise at Re.1 per company |





| | | |
|-----|--|---|
| (e) | Preference shares | At market price, if quoted or on appropriate yield to maturity basis not exceeding redemption value as per RBI/FIMMDA guidelines. |
| (f) | Bonds and debentures (not in the nature of advances) | At market price, if quoted, or on appropriate yield to maturity basis as per RBI/FIMMDA guidelines. |
| (g) | Units of mutual funds | As per stock exchange quotation, if quoted; at repurchase price/NAV, if unquoted |
| (h) | Commercial Paper | At carrying cost |
| (i) | Certificate of Deposits | At carrying cost |
| (j) | Security receipts of ARCIL | At net asset value of the asset as declared by ARCIL |
| (k) | Venture Capital Funds | At net asset value (NAV) declared by the VCF |
| (l) | Other Investments | At carrying cost less diminution in value |

The above valuation in category of Available for Sale and Held for Trading is done scrip wise on quarterly basis and depreciation/appreciation is aggregated for each classification. Net depreciation for each classification, if any, is provided for while net appreciation is ignored. On provision for depreciation, the book value of the individual security remains unchanged after marking to market.

- 4.8 Investments are subject to appropriate provisioning/ de-recognition of income, in line with the prudential norms of Reserve Bank of India for NPI classification. The depreciation/provision in respect of non-performing securities is not set off against the appreciation in respect of the other performing securities.

If any credit facility availed by an entity is NPA in the books of the Bank, investment in any of the securities issued by the same entity would also be treated as NPI and vice versa. However, in respect of NPI preference share where the dividend is not paid, the corresponding credit facility is not treated as NPA.

In case of securities i.e. bonds, debentures, etc. where the credit facilities are availed by the borrowers, the provision has been made on the basis of YTM or IRAC norms whichever is higher.

- 4.9 Profit or loss on sale of investments in any category is taken to Profit and Loss account but, in case of profit on sale of investments in "Held to Maturity" category, an equivalent amount (net of taxes and amount required to be transferred to Statutory Reserve) is appropriated to "Capital Reserve Account".





- 4.10** Securities repurchased/resold under buy back arrangement are accounted for at original cost.
- 4.11** The securities sold and purchased under Repo/Reverse Repo are accounted as Collateralized lending and borrowing transactions. However, securities are transferred as in the case of normal outright sale/purchase transactions and such movement of securities is reflected using the Repo/Reverse Repo Accounts and Contra entries. The above entries are reversed on the date of maturity. Costs and revenues are accounted as interest expenditure/income, as the case may be. Balance in Repo Account is classified under schedule 4 (Borrowings) and balance in Reverse Repo Account is classified under Schedule 7 (Balance with Banks and Money at Call & Short Notice). The same is also applicable to LAF with RBI.
- 4.12** The derivatives transactions are undertaken for trading or hedging purposes. Trading transactions are marked to market. As per RBI guidelines, different categories of swaps are valued as under:-

Hedge Swaps

Interest rate swaps with hedge interest bearing asset or liability are accounted for on accrual basis except the swaps designated with an asset or liability that are carried at market value or lower of cost in the financial statement.

Gain or losses on the termination of swaps are recognized over the shorter of the remaining contractual life of the swap or the remaining life of the asset/ liabilities.

Trading Swaps

Trading swap transactions are marked to market with changes recorded in the financial statements.

Exchange Traded Derivatives entered into for trading purposes are valued at prevailing market rates based on rates given by the Exchange and the resultant gains and losses are recognized in the Profit and Loss Account.

4.13 Foreign Currency Options:

Foreign currency options written by the bank with a back-to-back contract with another bank are not marked to market since there is no market risk.

Premium received is held as a liability and transferred to the Profit and Loss Account on maturity/cancellation.





5. LOANS / ADVANCES AND PROVISIONS THEREON:

5.1 Advances are classified as performing and non-performing assets; provisions are made in accordance with prudential norms prescribed by RBI.

- (a) Advances are classified: Standard, Sub Standard, Doubtful and Loss assets borrower wise.
- (b) Advances are stated net of specific loan loss provisions, provision for diminution in fair value of restructured advances.

5.2 In respect of foreign offices, the classification of loans and advances and provisions for NPAs are made as per the local regulations or as per the norms of RBI, whichever is more stringent.

Loans and advances held at the overseas branches that are identified as impaired as per host country regulations for reasons other than record of recovery, but which are standard as per the extant RBI guidelines, are classified as NPAs to the extent of amount outstanding in the host country.

5.3 Financial Assets sold are recognized as under:

- (a) For Sale of financial assets sold to SCs/RCs
 - (i) If the sale to SCs/RCs is at a price below the Net Book Value (NBV), (i.e. Book Value less provisions held), the shortfall should be debited to the Profit & Loss account of that year. Bank can also use counter cyclical / floating provisions for meeting the shortfall on sale of NPAs i.e. when the sale is at a price below the NBV.
 - (ii) If the sale is for a value higher than the NBV, Bank can reverse the excess provision on sale of NPAs to its profit and loss account in the year, the amounts are received. However, Bank can reverse excess provision (when the sale is for a value higher than the NBV) arising out of sale of NPAs, only when the cash received (by way of initial consideration and/ or redemption of SRs/ PTCs) is higher than the NBV of the asset. Further, reversal of excess provision will be limited to the extent to which cash received exceeds the NBV of the asset.
- (b) For Sale of financial assets sold to Other Banks/NBFCs/FIs etc.
 - (i) In case the sale is at a price below the Net Book Value (NBV) i.e. Book Value less provision held, the shortfall should be debited to the Profit & Loss A/c of that year.





- (ii) In case the sale is for a value higher than the Net Book Value (NBV) i.e. Book Value less provision held, the excess provision shall not be reversed but will be utilized to meet the shortfall / loss on account of sale of other Non Performing Financial Assets.
- (iii) In case there is overall surplus over and above the excess provision in any of the sale transaction that surplus amount will be taken in the Profit & loss a/c.

5.4 Restructured Assets:

For restructured/rescheduled advances, provisions are made in accordance with guidelines issued by RBI from time to time. Necessary provision for diminution in the fair value of a restructured account is made.

The bank considered a restructured account as one where the bank, for economic or legal reasons relating to the borrower's financial difficulty, grants concessions to the borrower. Restructuring would normally involve modification of terms of the advances / securities, which would generally include, among others, alteration of repayment period / repayable amount/ the amount of installments / rate of interest / roll over of credit facilities / sanction of additional credit facility / enhancement of existing credit limits / compromise settlements where time for payment of settlement amount exceeds three months. Restructured accounts are classified as such by the Bank only upon approval and implementation of the restructuring package.

Standard accounts classified as NPA and NPA accounts retained in the same category on restructuring by the bank are upgraded only when all the outstanding loan / facilities in the account demonstrate 'satisfactory performance' (i.e., the payments in respect of borrower entity are not in default at any point of time) during the 'specified period'.

'Specified period' means the period from the date of implementation of Resolution plan (RP) up to the date by which at least 20 percent of the outstanding principal debt as per the RP and interest capitalization sanctioned as part of the restructuring, if any, is repaid. Provided that the specified period cannot end before one year from the commencement of the first payment of interest or principal (whichever is later) on the credit facility with longest period of moratorium under the terms of RP.

For the large accounts (i.e., accounts where the aggregate exposure of lenders is Rs 100 crore and above) to qualify for an upgrade, in addition to demonstration of satisfactory performance, the credit facilities of the borrower shall also be rated as investment grade (BBB- or better) as at the end of the 'specified period' by CRAs accredited by the Reserve Bank for the purpose of bank loan ratings. While accounts with aggregate exposure





of Rs 500 crore and above shall require two ratings, those below Rs 500 crore shall require one rating. If the ratings are obtained from more than the required number of CRAs, all such ratings shall be investment grade to qualify for an upgrade.

In case satisfactory performance during the specified period is not demonstrated, the accounts, immediately on such default, are reclassified as per the repayment schedule that existed before the restructuring. Any future upgrade for such accounts would be contingent on implementation of a fresh RP and demonstration of satisfactory performance thereafter.

- 5.5 In addition to the specific provision on NPAs, general provisions are also made for standard assets as per extant RBI Guidelines. These provisions are reflected in Schedule 5 of the Balance Sheet under the head "Other Liabilities & Provisions – Others" and are not considered for arriving at the Net NPAs.
- 5.6 In accordance with RBI guidelines, accelerated provision is made on non-performing advances which were not earlier reported by the Bank as Special Mention Account under "SMA-2" category to Central Repository of Information on Large Credits (CRILC).
- 5.7 Amounts recovered against debts written-off in earlier years and provisions no longer considered necessary in the context of the current status of the borrower are recognized in the profit and loss account.
- 5.8 Provision for Country Exposure:

In addition to the specific provisions held according to the asset classification status, provisions are also made for individual country exposures (other than the home country). Countries are categorized into seven risk categories, namely, insignificant, low, moderately low, moderate, moderately high, high & very high and provisioning made as per extant RBI guidelines. If the country exposure (net) of the Bank in respect of each country does not exceed 1% of the total funded assets, no provision is maintained on such country exposures. The provision is reflected in Schedule 5 of the Balance Sheet under the "Other liabilities & Provisions – Others".

- 5.9 An additional provision of 2% (in addition to country risk provision that is applicable to all overseas exposures) against standard assets representing all exposures to step down subsidiaries of Indian Corporates has been made to cover the additional risk arising from complexity in the structure, location of different intermediary entities in different jurisdictions exposing the Indian Company, and hence the Bank, to a greater political and





regulatory risk. (As per RBI Cir.No. RBI/ 2015.16/279 DBR. IBD.BC No. 68/ 23.37.001/ 2015-16 dated 31.12.2015).

6. PROPERTY, PLANT & EQUIPMENT:

6.1 Property, Plant & Equipment are stated at historical cost less accumulated depreciation/amortization, wherever applicable, except those premises, which have been revalued. The appreciation on revaluation is credited to revaluation reserve and incremental depreciation attributable to the revalued amount is deducted there from.

6.2 Software is capitalized and clubbed under Intangible assets.

6.3 Cost includes cost of purchase and all expenditure such as site preparation, installation costs and professional fees incurred on the asset till the time of capitalization. Subsequent expenditure/s incurred on the assets are capitalized only when it increases the future benefits from such assets or their functioning capability.

6.4 DEPRECIATION:

A. Depreciation on assets (including land where value is not separable) is provided on straight-line method based on estimated life of the asset, except in respect of computers where it is calculated on the straight-line method, at the rates prescribed by RBI.

B. Depreciation on assets has been provided at the rates furnished below:-

| Particulars | Rate of Depreciation |
|---|---|
| Freehold Properties | |
| Land | NIL |
| Depreciation to be provided on Construction Cost where the land cost is segregated and on total cost where the land cost is not ascertainable and cannot be segregated. | 2.5% (40 years Straight Line Method or remaining life whichever is lower) |
| Land acquired on perpetual lease where no lease period is mentioned | NIL |
| Land acquired on lease where lease period is mentioned | Over lease period |
| Building | |
| Constructed on free hold land and on leased land, where lease period is above 40 years | 2.50% |
| Constructed on leased land where lease period is below 40 years. | Over lease period |





| | |
|--|--------------------|
| Built-up Assets taken over from erstwhile Nedungadi Bank Ltd | 4.00% |
| Furniture and fixtures- Steel articles | 5.00% |
| Furniture and fixtures-wooden articles | 10.00% |
| Mattresses | 20.00% |
| Mobile Phone Instruments | 33.33% |
| Machinery, electrical and miscellaneous articles | 15.00% |
| Motor cars and cycles | 15.00% |
| Computers, ATMs and related items, laptop, i pad | 33.33% |
| Computer Application Software – Intangible Assets | |
| - Up to Rs. 25,000 | Charged to Revenue |
| - Others | 33.33% |

- C. Depreciation on fresh additions to assets other than bank's own premises is provided from the day in which the assets are capitalized and in the case of assets sold/disposed off during the year, up to the date in which it is sold/ disposed off i.e. daily basis.
- D. The depreciation on bank's own premises existing at the close of the year is charged for full year. The construction cost is depreciated only when the building is complete in all respects. Where the cost of land and building cannot be separately ascertained, depreciation is provided on the composite cost, at the rate applicable to buildings.
- E. In respect of leasehold premises, the lease premium, if any, is amortized over the period of lease and the lease rent is charged in the respective year(s).
- F. The Revalued assets is depreciated over the balance useful life of the asset as assessed at the time of revaluation.

7. IMPAIRMENT OF ASSETS:

The carrying costs of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors.

An impairment loss is recognized wherever the carrying cost of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.





After impairment, if any, depreciation is provided on the revised carrying cost of the asset over its remaining useful life.

A previously recognized impairment loss is increased or reversed depending on changes in circumstances.

However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

8. EMPLOYMENT BENEFITS:

PROVIDENT FUND:

Provident fund is a defined contribution scheme as the Bank pays fixed contribution at pre-determined rates. The obligation of the Bank is limited to such fixed contribution. The contribution is charged to Profit & Loss A/c.

GRATUITY:

Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation. The scheme is funded by the bank and is managed by a separate trust.

PENSION:

Pension liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation. The scheme is funded by the bank and is managed by a separate trust.

The Bank operates a New Pension Scheme (NPS) for all officers/employees joining the Bank on or after 01.04.2010. As per the scheme, the covered employees contribute 10% of their basic pay plus dearness allowance to the scheme together with a matching contribution from the Bank. Pending completion of the registration procedures of the employees concerned, these contributions are retained. The Bank recognizes such annual contributions as an expense in the year to which they relate. Upon the receipt of the Permanent Retirement Account Number (PRAN), the consolidated contribution amounts are transferred to the NPS Trust.

COMPENSATED ABSENCES:

Accumulating compensated absences such as Privilege Leave (PL) and Sick Leave (including unavailed casual leave) are provided for based on actuarial valuation.





OTHER EMPLOYEE BENEFITS:

Other Employee Benefits such as Leave Fare Concession (LFC), Silver Jubilee Award, etc. are provided for based on actuarial valuation.

In respect of overseas branches and offices, the benefits in respect of employees other than those on deputation are valued and accounted for as per laws prevailing in the respective countries.

9. TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS & BALANCES:

Transactions involving foreign exchange are accounted for in accordance with AS 11, "The Effect of Changes in Foreign Exchange Rates".

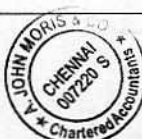
- 9.1 Except advances of erstwhile London branches which are accounted for at the exchange rate prevailing on the date of parking in India, all other monetary assets and liabilities, guarantees, acceptances, endorsements and other obligations are translated in Indian Rupee equivalent at the exchange rates prevailing as on the Balance Sheet date as per Foreign Exchange Dealers' Association of India (FEDAI) guidelines.
- 9.2 Non-monetary items other than fixed assets which are carried at historical cost are translated at exchange rate prevailing on the date of transaction.
- 9.3 Outstanding Forward exchange spot and forward contracts are translated as on the Balance Sheet date at the rates notified by FEDAI and the resultant gain/loss on translation is taken to Profit & Loss Account.

Foreign exchange spot/forward contracts/deals (Merchant and Inter-bank) which are not intended for trading/Merchant Hedge and are outstanding on the Balance Sheet date, are reverse re-valued at the closing FEDAI spot/forward rate in order to remove revaluation effect on exchange profit. The premium or discount arising at the inception of such a forward exchange contract is amortized as interest expense or income over the life of the contract.

- 9.4 Income and expenditure items are accounted for at the exchange rate prevailing on the date of transaction.

Exchange differences arising on the settlement of monetary items at rates different from those at which they were initially recorded are recognized as income or as expense in the period in which they arise.

Gains/Losses on account of changes in exchange rates of open position in currency futures trades are settled with the exchange





clearing house on daily basis and such gains/losses are recognized in the Profit and Loss Account.

9.5 Offices outside India / Offshore Banking Units:

- (i) Operations of foreign branches and off shore banking unit are classified as "Non-integral foreign operations" and operations of representative offices abroad are classified as "integral foreign operations".
- (ii) Foreign currency transactions of integral foreign operations and non-integral foreign operations are accounted for as prescribed by AS-11.
- (iii) Exchange Fluctuation resulting into Profit / loss of non-integral operations is credited /debited to Exchange Fluctuation Reserve.

10. TAXES ON INCOME

Income tax expense is the aggregate amount of current tax including Minimum Alternate Tax (MAT), wherever applicable and deferred tax expense incurred by the Bank. The current tax and deferred tax are determined in accordance with the provisions of the Income Tax Act, 1961 and as per Accounting Standard 22 - Accounting for Taxes on Income respectively after taking into account taxes paid at the foreign offices, which are based on the tax laws of respective jurisdictions.

MAT credit is recognized as an asset only when and to the extent there is convincing evidence that there will be payment of normal income tax during the period specified under the income Tax Act, 1961,

Deferred Tax adjustments comprises of changes in the deferred tax assets or liabilities during the year. Deferred tax assets and liabilities are recognized by considering the impact of timing differences between taxable income and accounting income for the current year, and carry forward losses. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. The impact of changes in deferred tax assets and liabilities is recognized in the profit and loss account. Deferred tax assets are recognized and re-assessed at each reporting date, based upon management's judgment as to whether their realization is considered as reasonably/virtually certain.

11. Earnings per Share:

The Bank reports basic and diluted earnings per share in accordance with





AS 20 'Earnings per Share' issued by the ICAI. Basic Earnings per Share are computed by dividing the Net Profit after Tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding for the year.

12. Provisions, Contingent Liabilities and Contingent Assets:

In conformity with AS 29, "Provisions, Contingent Liabilities and Contingent Assets", issued by the Institute of Chartered Accountants of India, the Bank recognises provisions only when it has a present obligation as a result of a past event, and would result in a probable outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made.

Contingent Assets are not recognised in the financial statements.

13. Bullion Transactions:

The Bank imports bullion including precious metal bars on a consignment basis for selling to its customers. The imports are typically on a back-to-back basis and are priced to the customer based on price quoted by the supplier. The Bank earns a fee on such bullion transactions. The fee is classified under commission income. The Bank also accepts deposits and lends gold, which is treated as deposits/advances as the case may be with the interest paid / received classified as interest expense/income.

14. Segment Reporting:

The Bank recognizes the Business segment as the Primary reporting segment and Geographical segment as the Secondary reporting segment, in accordance with the RBI guidelines and in compliance with the Accounting Standard 17 issued by ICAI.

15. The Bank, in accordance with RBI Circular FIDD.CO.Plan.BC.23/ 04.09.01/ 2015-16 dated April 7, 2016, trades in Priority Sector portfolio by selling or buying PSLC. There is no transfer of risks or loan assets in these transactions. The fee paid for purchase of the PSLC is treated as an 'Expense' and the Fee received from sale of PSLCs is treated as 'Other Income'.





SCHEDULE 14: Notes to Accounts

1. Basis of preparation of opening balance Sheet (consequent upon amalgamation) as on the beginning of April 01, 2020

Consequent upon the amalgamation of erstwhile Oriental Bank of Commerce (eOBC) and erstwhile United Bank of India (eUNI) with Punjab National Bank (PNB) effective from April 01, 2020 (as explained in "Note 2" below), the opening Balance Sheet (hereinafter referred to as "OBS") alongwith Accounting Policies and selective Notes to Accounts of the amalgamated entity as at the beginning of April 01, 2020 is prepared by the management and adopted by the Audit Committee of the Board (hereinafter referred to as "ACB") and approved by the Board of Directors (hereinafter referred to as "BoD") in its meeting held on 09.07.2020.

For the purpose of preparing the OBS, the carrying book values of assets and liabilities as per the respective audited financials as on March 31, 2020 of eOBC and eUNI have been incorporated with the carrying book value of assets and liabilities of the audited financial statements of Punjab National Bank as on March 31, 2020 in accordance with the principles prescribed in Accounting Standard 14 (AS-14) "Accounting for Amalgamations". The OBS has been prepared based on the accounting policies adopted by Punjab National Bank as on April 01, 2020 and changes have been made to the extent required to bring uniformity in the accounting policies as required by AS-14. The adjustments made to the assets and liabilities consequent upon amalgamation have been explained in Note 2 (iii) below.

In view of the nature of this financial statement, disclosures prescribed under Accounting Standard are furnished to the extent considered relevant to the OBS based on the specific mandate issued by the ACB in this regard and also no comparative figures for the previous period are furnished.

2. Scheme of Amalgamation:

The Government of India through a Gazette Notification CG-DL-E-04032020-216535 dated March 04, 2020 approved the scheme of amalgamation between Punjab National Bank, Oriental Bank of Commerce and United Bank of India. In exercise of power conferred by Section 9 of the Banking Companies (Acquisition and Transfer of Undertaking) Act, 1970 (5 of 1970) and section 9 of the Banking Companies (Acquisition and Transfer of Undertaking) Act, 1980 (40 of 1980), after consultation with the Reserve Bank of India, the Government of India has notified the scheme of amalgamation of Oriental Bank of Commerce and United Bank of India (hereinafter collectively referred to as "Transferor Banks") with Punjab National Bank (hereinafter referred to as "Transferee Bank") on March 04, 2020. This scheme has come into force on the April 01, 2020.





On the commencement of this scheme, the undertakings of the Transferor Banks have been transferred to and vests in the Transferee Bank from April 01, 2020 (hereinafter referred to as "effective date") without requiring any act, deed, consent or instrument for transfer of the same. Undertakings of the transferor banks deemed to include all business, assets (including tangible and intangible, movable and immovable), liabilities, Reserve & Surplus present or contingent and all other rights and interests arising out of such property of the transferor Banks in relation to the undertakings as were immediately before the commencement of scheme, in the ownership, possession, power or control of the Transferor Banks within or Outside India.

- i) After taking into consideration the recommendation of the respective Audit Committees, External Joint Valuation Report and the External fairness opinion received by the respective banks, the Board of the respective banks have approved the Share Exchange Ratio (ranking pari passu in all respects and shall have the same rights attached to them as the then existing equity shares of the Transferee Bank, including, in respect of dividends, if any, declared by the Transferee Bank, on or after the commencement of this scheme) as under:-
 - a) 1150 Equity Shares of Rs. 2 each of Punjab National Bank for every 1000 equity shares of Rs. 10 each of Oriental Bank of Commerce.
 - b) 121 Equity Shares of Rs. 2 each of Punjab National Bank for every 1000 equity shares of Rs. 10 each of United Bank of India.

In respect of entitlements to fraction of equity shares, the consideration has been paid in cash.

The shares of the transferee bank shall be issued to shareholders whose names were recorded in the register of members of the transferor banks as on the record date determined by the transferee bank for this purpose.

On March 4, 2020, the Board of Directors of the Bank and the Board of Directors of Oriental Bank of Commerce and United Bank of India at their respective meetings, approved amalgamation of Oriental Bank of Commerce and United Bank of India with the Bank with effective date as April 1, 2020.

- ii) The amalgamation is accounted under the 'pooling of interest' method as prescribed in AS-14 "Accounting for Amalgamation". All assets and liabilities (including contingent liabilities), duties and obligations of transferor Bank are proposed to be recorded in the books of account of transferee bank at their existing carrying amounts and in the same form as on April 01, 2020 except for adjustments to bring uniformity of accounting policies as required under AS-14. Any further changes in liabilities/assets (including those consequent to changes in Accounting Standards) that may arise after the





date on which the scheme has come into force will be made subsequently in the books of account of the Transferee Bank.

iii) The amount of Share Capital issued by Transferee Bank amounting to Rs.534.61crore (2673063327 equity shares of face value of Rs.2 each issued at par) together with cash paid in lieu of fractional entitlement of shares of Rs.0.50crore as consideration pursuant to the scheme of amalgamation has been adjusted against the corresponding share capital of the Transferor Banks and the difference has been adjusted against to the Amalgamation Reserve in the OBS.

iv) Summarised values of assets and liabilities transferred in accordance with the terms of the Scheme is as detailed below:

(Rs. in 000)

| Particulars | eOBC | eUNI | Total |
|--|---------------------|---------------------|---------------------|
| Assets taken over | | | |
| Cash and Balances with RBI | 10432,37,15 | 4852,96,18 | 15285,33,33 |
| Balances with banks and Money at Call and Short Notice | 5713,91,57 | 8724,68,40 | 14438,59,97 |
| Investments | 72938,99,19 | 58636,92,27 | 131575,91,46 |
| Advances | 157888,38,58 | 67330,20,68 | 225218,59,26 |
| Fixed Assets | 2443,04,73 | 1418,48,55 | 3861,53,28 |
| Other Assets | 18763,90,42 | 11839,08,95 | 30602,99,37 |
| Total Assets (A) | 268180,61,64 | 152802,35,03 | 420982,96,67 |
| Liabilities taken over | | | |
| Reserves and Surplus | 15168,87,72 | -2160,69,81 | 13008,17,91 |
| Deposits | 230108,21,95 | 137614,59,38 | 367722,81,33 |
| Borrowings | 14016,30,63 | 2270,09,00 | 16286,39,63 |
| Other Liabilities and Provisions | 7675,18,09 | 6233,70,05 | 13908,88,14 |
| Total Liabilities (B) | 266968,58,39 | 143957,68,62 | 410926,27,01 |





| | | | |
|---|-------------------|-------------------|--------------------|
| Net Assets (C)=(A-B) | 1212,03,25 | 8844,66,41 | 10056,69,66 |
| Less: | | | |
| Shares of face value Rs.2/- each issued by PNB as consideration (D) | 315,14,17 | 219,47,09 | 534,61,27 |
| Cash in lieu of fractional entitlement of shares (E) | 25,69 | 24,43 | 50,12 |
| Difference transferred to Amalgamation Reserve | | | 9521,58,27 |
| [F]= [C- (D+E)] | | | |

3. Inter Office Accounts between branches, Regional Office/Circle Offices, Zonal Offices and Head Office/Corporate Office verticals/departments are being reconciled on an on-going basis.
4. The PNB has finalized integration plan. The process of integration has been initiated from the effective date of amalgamation. The integration process is to be completed in phased manner. In this process, change in organizational structure, pending harmonization of product and policies, mutation of properties, IT integration etc. are in progress.
5. Covid-19 Pandemic continues to spread across several countries including India resulting in a significant volatility in global and Indian financial markets and a significant decline in global and local economic activities. The Govt. of India had announced a series of lock down measures from March 24, 2020 onwards which have been extended from time to time upto July 31, 2020. Govt. of India has directed a calibrated and gradual withdrawal of lock down and partial resumption of economic activities.

The situation continues to be uncertain and the bank is evaluating the situation on ongoing basis. The major identified challenges for the bank would arise from eroding cash flows and extended working capital cycles. The bank is gearing itself on all the fronts to meet these challenges. The management believes that no adjustments are required in the opening balance sheet as at the beginning of April 01, 2020 of the bank.

Despite these events and conditions, there would not be any significant impact on Bank's results in future and going concern assumptions as at presently made.





6. Pursuant to the amalgamation of Punjab National Bank with erstwhile Oriental Bank of Commerce and erstwhile United Bank of India, the following adjustments have not been made in the opening financials as on April 01, 2020. The shareholding of Punjab National Bank (amalgamated entity) has exceeded 10% in 6 companies and 5 venture capital funds. The RBI has accorded approval to hold these investments and the directions given by RBI will be implemented within the given time frame. Hence, no impact has been considered in opening financial statements.
7. The bank has made investment in JSC Tengri Bank (previously known as Bank of Kazakhstan of Rs.300 crores which is an associate of our bank Consequent to the study conducted by the independent agency. Whereby the associate Bank has to create certain provisions towards NPA's because of which the networth of the bank has diminished as on 01.04.2020. In the opinion of the management, the subsequent recoveries are made whereby there will be no need to make any provisions by the said associate and hence in the opinion of the management no diminution in the value of the investment is required to be provided.

Specific Notes to Account

8. Equity Capital

8.1.1. Shareholding Pattern post issuing shares under amalgamation is as under:

| Particulars | Equity Shares (PNB 2.0)* | |
|------------------------|--------------------------|---------------|
| | Nos | %age |
| Promoter Holding (GOI) | 8054125685 | 85.59 |
| Mutual Funds | 196312996 | 2.09 |
| All others | 1160190634 | 12.32 |
| Total | 9410629315 | 100.00 |

* PNB 2.0 is the abbreviated word of Punjab National Bank after the amalgamation of erstwhile Oriental Bank of Commerce (e OBC) and United Bank of India (e UBI) effective from April 01, 2020.





8.1.2. Capital Ratio – As per Basel III

| S. No. | Items | As on the beginning of April 01, 2020 |
|--------|---|--|
| 1 | Common equity Tier 1 Capital ratio (%)** | 9.17% |
| 2 | Tier 1 Capital ratio (%)** | 9.97% |
| 3 | Tier 2 Capital ratio (%) | 2.35% |
| 4 | Total Capital ratio (CRAR) (%)** | 12.32% |
| 5 | Percentage of the shareholding of the Government of India in the Bank | 85.59% |

Explanatory Notes

** The Bank has adopted Pooling of Interest method prescribed under the Accounting Standard 14 on Accounting for Amalgamations issued by ICAI to record amalgamation of Oriental Bank of Commerce and United Bank of India (the amalgamating banks) with the Bank with effect from April 1, 2020. Accordingly, the difference of Rs 9904.39 crores between the net assets of the amalgamating banks and the amount of shares issued to the shareholders of the amalgamating banks has been recognized as Amalgamation Reserve after giving effect to the adjustment in line with AS-14. The Bank has considered eligible amount under CET1 for the purpose of calculation of CRAR i.e. Rs. 9268.29 Crore.

Gross income of the last three years for the erstwhile Oriental Bank of Commerce and erstwhile United Bank of India along with Punjab National Bank have been considered for computation of RWA pertaining to Operational Risk on conservative basis for the period 01st April 2020.

9. Investments

9.1.1. Breakup of Investments

(Rs in Crores)

| Particulars | As on the beginning of April 01, 2020 |
|--------------------------------|--|
| (i) Gross Value of Investments | |
| (a) In India | 371132.16 |
| (b) Outside India | 7248.77 |





| | |
|---------------------------------|-----------|
| (ii) Provision for Depreciation | |
| (a) In India | 6665.56 |
| (b) Outside India | 9.08 |
| (iii) Net Value of Investments | |
| (a) In India | 364466.60 |
| (b) Outside India | 7239.69 |

9.1.2. Non Performing Non-SLR Investments

| Items | (Amount in Rs. crores) As on the beginning of April 01, 2020 |
|--------------------------------|--|
| Balance of Non-SLR Investments | 5632.49 |
| Balance of Provisions held | 4856.64 |

10. Advances

10.1.1. Non-Performing Assets

| Items | (Amount in Rs. crores) As on the beginning of April 01, 2020 |
|------------------------------|--|
| Net NPAs to Net Advances (%) | 5.45% |
| Gross NPA | 105165.14 |
| Net NPA | 37868.10 |
| Provisions for NPA | 67297.04 |





10.1.2. Restructured Accounts

(Amount in Rs. crores)

| Particulars | As on the beginning of April 01, 2020 |
|---|--|
| a) Under CDR Mechanism | 2251.61 |
| b) Under SME Debt Restructuring Mechanism | 971.00 |
| c) Others | 5309.01 |
| d) Provisions on restructured accounts | 2947.13 |

Above exclude the MSME one time restructured accounts as per RBI Circular No DBR.No.BP.BC.18/21.04.048/2018-19 dated 1st January 2019.

10.1.3. Provisions on Standard Assets

(Amount in Rs. crores)

| Particulars | As on the beginning of April 01, 2020 |
|---|--|
| Cumulative Balance (included under "Other Liabilities & Provisions" in Schedule 5 to the balance sheet) | 3976.92 |

10.1.4. Amount of Unsecured Advances

(Amount in Rs. crores)

| Particulars | As on the beginning of April 01, 2020 |
|--|--|
| 1. Total amount of advances for which intangible securities such as charge over the rights, licenses, authority etc. has been included in Sch.9 under 'Unsecured Advances' | 14177.05 |
| 2. Estimated value of intangible collaterals | 16083.41 |





10.1.5. Disclosure on 'Restructuring of Advances - Micro, Small and Medium Enterprises (MSME) Sector' (One Time Restructuring) as on the beginning of April 01, 2020

| No. Of Accounts Restructured | (Amount in Rs. crores) |
|------------------------------|------------------------|
| 48887 | 2722.82 |

10.1.6. Sector wise Advances

(Amount in Rs. crores)

| Particulars | As on the beginning of April 01, 2020 |
|---|---------------------------------------|
| A. Priority Sector | |
| Agriculture and allied activities | 98211.06 |
| Advances to industries sector eligible as priority sector lending | 33293.16 |
| Services | 84061.01 |
| Personal loans | 36655.71 |
| Sub-total (A) | 252220.94 |
| B. Non Priority Sector | |
| Agriculture and allied activities | 19062.12 |
| Industry | 175104.60 |
| Services | 218214.38 |
| Personal Loans | 98118.57 |
| Sub-total (B) | 510499.68 |
| Total (A + B) | 762720.61 |





10.1.7 Overseas Assets and NPA

(Rs. in crores)

| Particulars | As on the beginning of April 01, 2020 |
|--------------------|--|
| Total Assets | 37483.55 |
| Total NPAs (Gross) | 1734.18 |

11. Risk Category wise Country Exposure

(Amount in Rs. crores)

| ECGC Rating | Category | Exposure (net) | (As on the beginning of April 01, 2020 Provision held) |
|-------------|-----------------|----------------|--|
| A1 | Insignificant | 34329.64 | NA |
| A2 | Low | 15980.13 | |
| B1 | Moderately Low | 20.92 | |
| B2 | Moderate | 174.30 | |
| C1 | Moderately High | 20.28 | |
| C2 | High | 5.96 | |
| D | Very high | 0.00 | |
| | | 50531.23 | |
| | Total Assets | 1254352.00 | |

As per above data, Bank does not required to provide for Country Risk Provisions as at 01.04.2020 for amalgamated entity





12. Provisioning Coverage Ratio (PCR)

| Particulars | As on the beginning of April 01, 2020 |
|-----------------------------------|--|
| Provisioning Coverage Ratio (PCR) | 79.65% |

13. Floating Provisions

| Particulars | As on the beginning of April 01, 2020 |
|--------------------------------|--|
| Balance of Floating provisions | 384.37 |

14. Accounting for Taxes on Income

(Amount in Rs. crores)

| Particulars | As on the beginning of April 01, 2020 |
|--|--|
| Deferred Tax Assets | |
| Provision for Leave encashment | 1151.30 |
| Provision for Pension & Gratuity | 0.00 |
| Statutory Liability u/s 43B | 0.00 |
| Other Contingency | 55.00 |
| Provision for bad & doubtful debts | 22204.15 |
| Taxable loss (carried forward) | 6133.83 |
| Subtotal of DTA [A] | 29544.28 |
| Deferred Tax Liabilities | |
| Depreciation on fixed assets | -71.29 |
| Deduction u/s 36(1) (viii) of Income Tax Act 1961 | 1135.37 |





| | |
|---|----------|
| Non Borrowal Fraud (not debited in P/L but claimed in ITR) | 0.00 |
| Subtotal of DTL [B] | 1064.08 |
| Deferred Tax Assets (Net) [A-B] | 28480.20 |



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Chartered Accountants,
Mumbai

M K Aggarwal & Co.,
Chartered Accountants,
New Delhi

G S Mathur & Co.,
Chartered Accountants,
New Delhi

A John Moris & Co.,
Chartered Accountants,
Chennai

H D S G & Associates,
Chartered Accountants
New Delhi

INDEPENDENT AUDITORS' REPORT

To,
The Board of Directors,
Punjab National Bank,
New Delhi

Report on the audit of the Balance Sheet as on the beginning of April 01, 2020

Opinion

1. We have audited the accompanying standalone Balance Sheet of Punjab National Bank (the "Bank") as at the beginning of April 01, 2020 (April 01, 2020) and a summary of significant accounting policies and other explanatory information (together "the Balance Sheet"). The Balance Sheet has been prepared by the Management of the Bank to give effect to the Scheme of Amalgamation (the "Scheme") whereby Oriental Bank of Commerce and United Bank of India (the "Amalgamating Banks") got amalgamated with the Bank with effect from the date as aforesaid.
2. In our opinion, the attached Balance Sheet of the Bank as at April 01, 2020 is prepared, in all material respects in accordance with the provisions of the Scheme of Amalgamation, applicable Accounting Standard 14 on "Accounting for Amalgamations" issued by the Institute of Chartered Accountants of India ("ICAI") and accounting principles generally accepted in India relevant to the preparation of such Balance Sheet and gives a true and fair view of the state of affairs of the Bank as at April 1, 2020.

Basis for opinion

3. We conducted our audit in accordance with the Standards on Auditing (the "SAs"). Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Balance Sheet section of our report. We are independent of the Bank in accordance with the Code of Ethics issued by ICAI together with the ethical requirements that are relevant to our audit of the Balance Sheet, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Emphasis of Matter

4. We draw attention to Schedule 14 of the Balance Sheet: 'Notes to Accounts' regarding:
- Note No. 1 regarding the basis for preparation of the Balance Sheet as at April 01, 2020 which is based on the audited Balance Sheets as on March 31, 2020 of the Bank and two domestic banking companies, hereinabove referred to as Amalgamating Bank, alongwith the details of the adjustments required to be made in respect thereto in note 2(III) as stated in the said Note;
 - Note no. 2 regarding the Scheme of Amalgamation and accounting treatment thereof; and
 - Note no .4 regarding the process of integration
 - Note no 5 regarding the uncertainties due to outbreak of novel Corona virus (Covid 19) and the management's assessment of its impact on the business operations of the bank.
 - Refer Note No. 7 of the accompanying financial statements wherein as per opinion of the Bank, there is no requirement to make any provisions for diminution in value of investments.
 - Specific Note no. 8.1.2 regarding the consideration of amalgamation reserve amounting to Rs. 9268.29 crore as a part of CET1 capital for the purpose of calculation of CRAR in the Balance Sheet as at April 1, 2020.

Our opinion is not modified in respect of these matters.

Other Matters

5. We did not audit the Balance Sheets of two Amalgamating Banks as at March 31, 2020 included in the Balance Sheet of the Bank for the purpose of preparation of the Balance Sheet of the Bank as at April 01, 2020 referred to in this report. These Balance Sheets as on March 31, 2020 have been audited by other auditors whose reports have been furnished to us and we have relied on such reports in framing our opinion on the Balance Sheet of the Bank as at April 1, 2020.

Responsibilities of Management and Those Charged with Governance for the Balance Sheet.

6. The Bank's Management is responsible for the preparation an fair presentation of this Balance Sheet in accordance with the requirements of the Accounting Standard 14 issued by ICAI, other accounting principles generally accepted in India, and in particular the Scheme of Amalgamation notified by the Government of India dated March 04, 2020 and as mandated by the Audit Committee of the Board of Directors of the Bank. As per such mandate, the Management of the Bank is responsible to prepare the said Balance Sheet considering the audited Balance Sheet of the Bank as well as those of the Amalgamating Banks as on March 31, 2020 and incorporating such adjustments as stipulated in the Scheme as well as Accounting Standard 14 issued by ICAI. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of



the Balance Sheet that is free from material misstatement, whether due to fraud or error.

7. In preparing the Balance Sheet, the Management and the Board of Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but do so. The Board of Directors is also responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the audit of the Balance Sheet.

8. Our responsibility is to express an opinion on the Balance Sheet based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by ICAI to the extent applicable. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Balance Sheet is free from material misstatements.
9. Considering the special purpose of the aforesaid Balance Sheet, our responsibility is to verify the accounting treatment given by the Bank so as to ensure uniform accounting policies in cases where the Amalgamating Banks had conflicting accounting policies as compared to the accounting policies of the Bank and also to verify whether the amalgamation is accounted by following the Pooling of Interest method as prescribed under Accounting Standard 14 issued by ICAI.
10. As part of an audit in accordance with the SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:
 - a. Identify and assess the risks of material misstatement of the Balance Sheet, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - b. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on whether the Bank has internal financial controls with reference to Financial Statement in place and the operating effectiveness of such controls with respect to the preparation of the Balance Sheet as at April 1, 2020.
 - c. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Balance Sheet or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
 - d. Evaluate the overall presentation, structure and content of the Balance Sheet, including the disclosures, and whether the Balance Sheet represents the underlying transactions and events in a manner that achieves fair presentation.



11. Materiality is the magnitude of misstatements in the Balance Sheet that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and quantitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.
12. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control with respect to the process followed for preparation of the Balance Sheet as at April 1, 2020 that we identify during our audit.
13. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Restriction on Distribution and Use

14. The Balance Sheet has been prepared to assist the Bank in ascertaining the impact of amalgamation as referred to above. As a result, the Balance Sheet is not suitable for any other purpose. This report is issued solely for the internal use of the Bank and is not intended to be used, referred to or distributed for any other purpose without our prior written consent.

For HDSG & Associates
Chartered Accountants
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(Dalbir Singh Gulati)
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