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RBI asks PNB to harmonise provisions for bad loans with OBC & UBI

BY [JOEL REBELLO](#), ET BUREAU | FEB 07, 2020, 06.28 PM IST[Post a Comment](#)

MUMBAI: The [Reserve Bank of India \(RBI\)](#) has asked Punjab National Bank ([PNB](#)) to harmonise its provisions for [bad loans](#) with those of [Oriental Bank of Commerce \(OBC\)](#) and [United Bank of India \(UBI\)](#) the banks that it is acquiring before the process of merger gets started. In a letter in December the central bank asked the Delhi based lender to provide for common loans on a worse case basis, CEO Mallikarjuna Rao said.

“RBI has written to us seeking harmonisation of loans of all the three banks. For us the impact is just Rs 800 crore but we are yet to take into account the impact for the other two banks. The RBI has asked us to take into account the worst case scenario for these loans which means if a loan is classified as sub standard by one bank it has to be classified in the same way for the other two,” Rao said.

In late August finance minister [Nirmala Sitharaman](#) announced the amalgamation of 10 public sector banks into four big banks. As part of this plan PNB is supposed to acquire OBC and UBI which would create the country's second largest bank – both in terms of business and branch network.

Rao said the pre amalgamation process is ongoing at the bank and as many as 34 committees have been formed which are headed by different general managers from all three banks. PNB has also hired consultancy firm EY (Ernst & Young) to help in the amalgamation process.

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“We are waiting for the government notification after which the share swap ratio will have to be put in the public domain. There are some legal issues which will also be have to be completed after the notification is issued,” Rao said.

Capgemini has been hired to integrate the three bank’s IT operations while Deloitte has been engaged to calculate the share swap ratio. PNB is on Finacle stage 10 system while the other two banks are on stage 7 which will have to be integrated, Rao said. There are also 500 branches which are overlapping and which will have to be adjusted especially in Punjab, Haryana and Uttar Pradesh.

PNB reported a loss of Rs 492 crore in the quarter ended December 2019 compared to a Rs 246 crore profit a year earlier mainly because provisioning for bad loans increased. Provisions for bad loans increased to Rs 4,445 crore from Rs 2,566 crore a year-ago.

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