

Management Discussion and Analysis



INDIAN ECONOMY: STEADY GROWTH AMID GLOBAL HEADWINDS

In 2024, the global economy remained resilient despite varying regional performances. While the US and emerging markets like India posted robust growth, the Eurozone lagged and China faced a slowdown due to domestic challenges. The IMF estimates global GDP growth at 3.3%, below the historical (2000–19) average of 3.7%.¹

India’s economy demonstrated remarkable stability amid global disruptions, supported by strong domestic consumption, increased government spending—particularly in infrastructure—and accommodative monetary policy. Retail inflation eased to 4.6% in FY25, its lowest level since 2018-19.² This decline enabled the RBI to reduce the repo rate by 25 bps in February 2025, marking its first rate cut in five years. This was followed by another 25 bps cut in April 2025 and a further 50 bps cut in June 2025. The move underscores the effectiveness of the RBI’s pro-growth stance, successfully balancing economic momentum with price stability.

The financial sector exhibited relative stability in FY25, underpinned by adequate capital buffers, strong asset quality, and a sound regulatory architecture. Policy initiatives under ‘Make in India’ continued to gain traction, reflected in a gradual uptick in domestic manufacturing output.

Despite persistent global headwinds, India remained a key destination for foreign direct investment, particularly in manufacturing and technology.

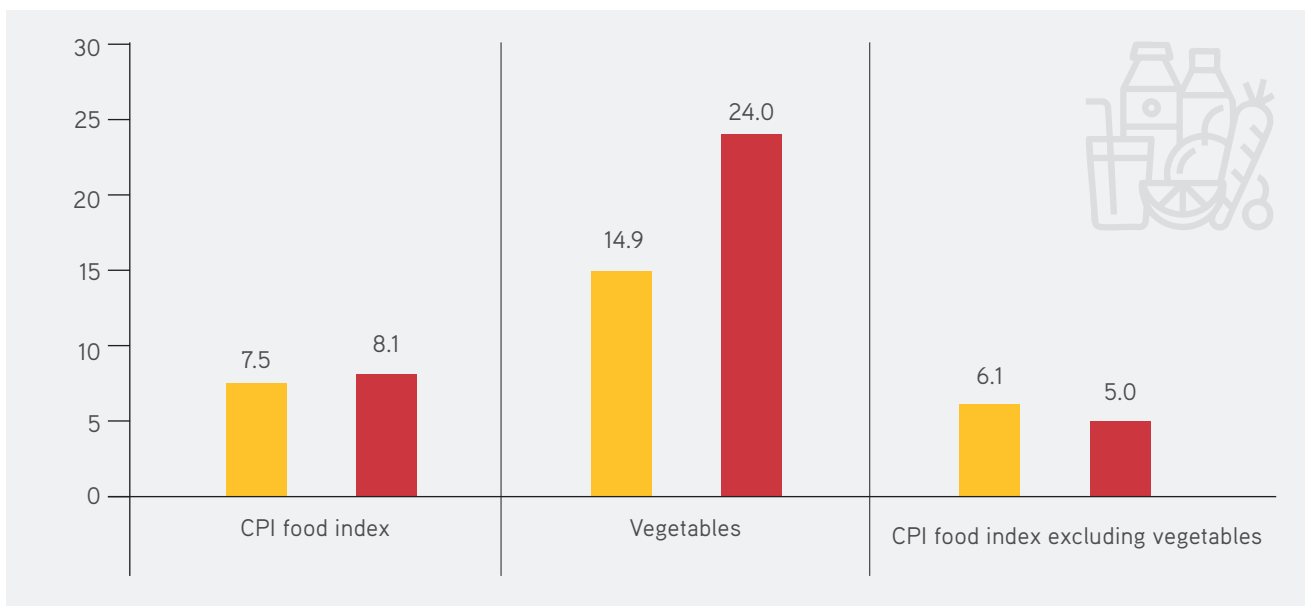
The digital economy, driven by the proliferation of e-commerce platforms and the accelerated adoption of digital payments, contributed meaningfully to economic resilience and formalisation.

Credit growth, which remained buoyant over the past few years, experienced a calibrated moderation during the year. This was due to tighter liquidity conditions, constraints in deposit mobilisation, and regulatory interventions aimed at curbing excessive credit flow to segments such as consumer credit and NBFCs. Non-food bank credit is estimated to have grown at ~11% yoy.³

According to NSO’s Second Advanced Estimates, the Indian economy is projected to report 6.5% GDP growth in FY25, marking it one of the fastest-growing major economies in the world.⁴ GVA growth was broad-based across sectors with the agriculture, livestock, forestry and fishing reporting better performance than FY24.

The outlook for the Indian economy remains optimistic. With a growing population, substantial infrastructure investments, and a decade of progress in digital transformation, India’s GDP is poised to accelerate in the coming years. Despite global tariff pressures and ongoing geopolitical tensions, the IMF projects a robust 6.2% GDP growth for CY25.⁵

Vegetables lifted food inflation in fiscal 2025



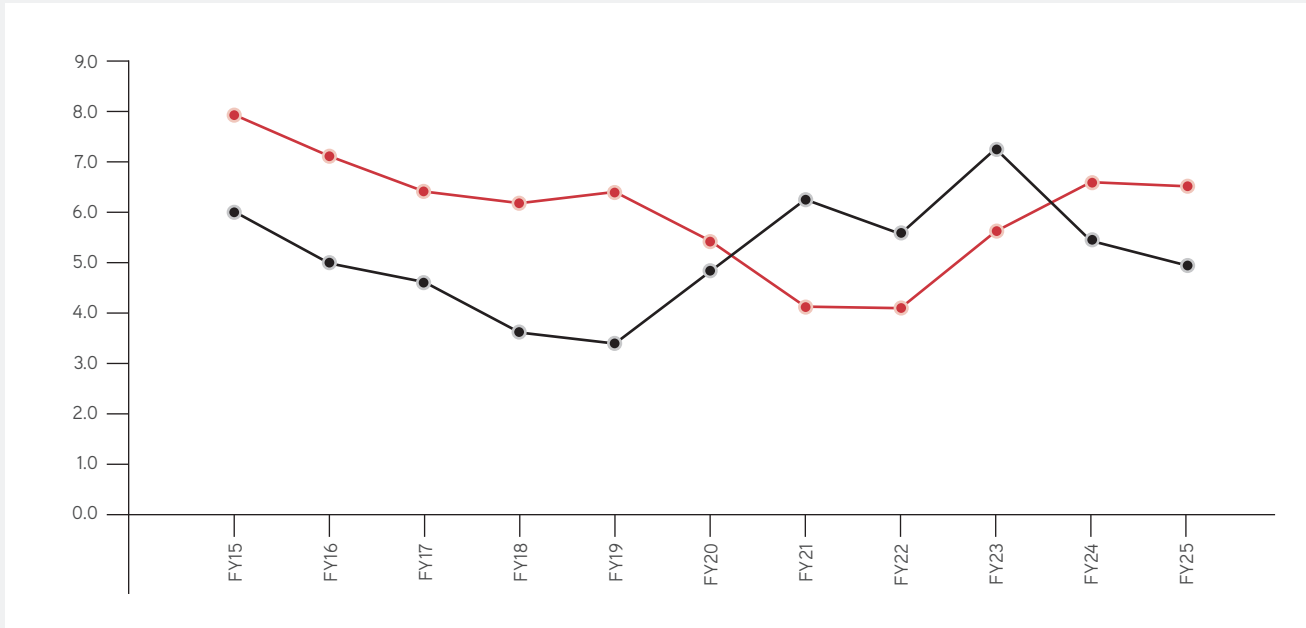
Source: NSO, CEIC, CRISIL

FY24

FY25 (Apr-Jan)

¹IMF ²PIB ³Business Standard ⁴NSO

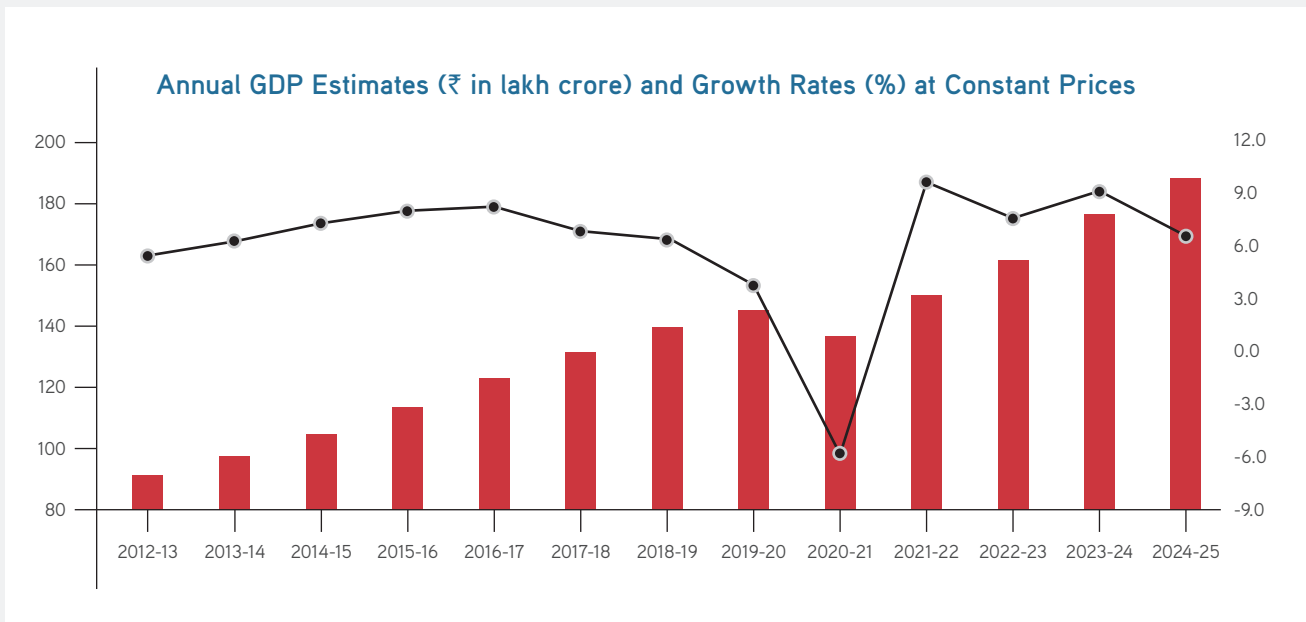
Repo rate cuts expected ahead with easing inflation



Source: RBI, NSO, CEIC, CRISIL

—●— Repo rate —●— CPI inflation

Annual GDP and growth rates at constant prices



Source: RBI, NSO, CEIC, CRISIL

— GDP Levels —●— GDP Growth

INDUSTRY STRUCTURE AND DEVELOPMENTS

India continues to shine as a beacon of growth and economic resilience amid ongoing global volatility. In 2024, housing sales across the top seven cities reached approximately 4.59 lakh units—a robust 76% increase over 2019, despite a modest 4% dip from 2023 levels.¹ Metropolitan regions such as MMR, Pune, Bengaluru, Hyderabad and NCR collectively accounted for 92% of total sales, underscoring the continued preference for urban living. This sustained performance is driven by rising household incomes, evolving consumer aspirations, improved infrastructure, and expanding economic opportunities in key cities. Further, the housing demand beyond Tier 2 and Tier 3 cities is driven by infrastructure development, talent availability and affordability. Further, government policies with easing of regulations and provision of incentives are propelling the demand as well as supply of residential housing.

As of September 2024, the individual housing loan portfolio for the industry, including both banks and Housing Finance Companies (HFCs), reached ₹34 trillion, reflecting a steady

CAGR of approximately 13% over the past six years.² Housing loans accounted for 14% of the total systemic credit in the country as of the same period.³ This growth is supported by long-term structural factors such as improved affordability, rising urbanisation, the increase in nuclear families, a shift toward premium housing, and government initiatives like 'Housing for All.'

Looking ahead, CareEdge Ratings projects the housing finance market to grow at a CAGR of 15-16% from FY25 to FY30, driven by these favorable growth drivers. As of March 2025, public sector banks held the largest share of the housing loan market at 53.8%, followed by private sector banks with a 41.2% share.⁴ Between FY19 and FY24, the housing loan portfolio of banks (including HDFC Ltd.'s merger with HDFC Bank) grew at a CAGR of 17%, while the growth rate for HFCs stood at 12%.⁵ The higher growth rate of banks can be partly attributed to their cost of funds advantage over HFCs, as well as the rising ticket sizes of loan disbursements driven by increasing property prices in metro and urban cities.



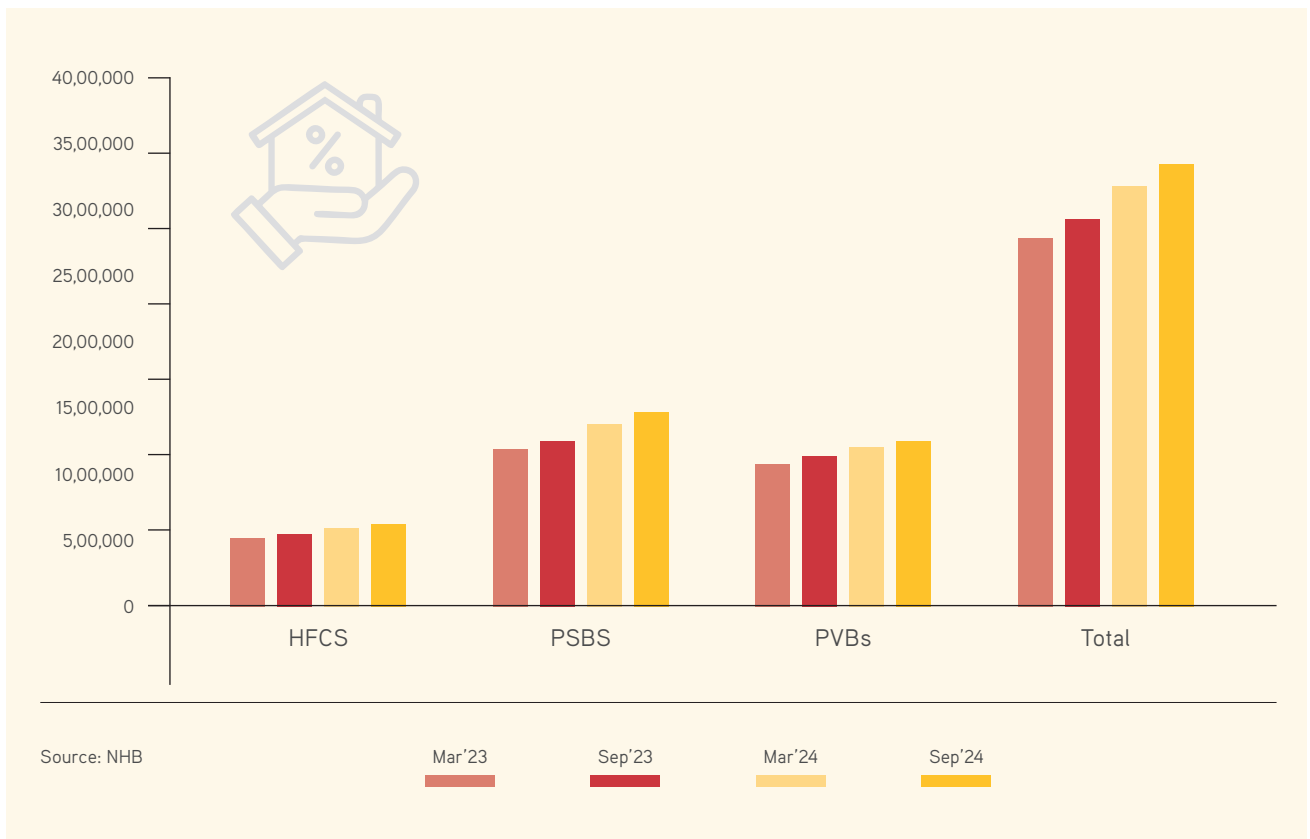
¹Anarock ^{2,5}NHB ^{3,4}CareEdge

Retail loans drive HFC growth

Retail loans remained the primary growth engine for Housing Finance Companies (HFCs) in 2024.¹ As of September 2024, the total outstanding individual housing loan portfolio stood at ₹34 lakh crore, with HFCs accounting for 19% and banks—including public, private, and regional rural banks—holding the remaining 81%. Asset quality indicators for HFCs remained stable, supported by consistent performance across Stage 2 and Stage 3 asset pools.² This reflects prudent underwriting practices and effective risk management, enabling HFCs to maintain a resilient credit profile amid evolving market conditions and strong demand for housing finance across income segments and geographies.



Outstanding individual housing loan portfolio of primary lending institutions (₹ in crore)



¹ NHB ² CARE Ratings

AFFORDABLE HOUSING FINANCE SECTOR SHOWING CONSISTENT GROWTH

Affordable Housing Finance Companies (AHFCs) continued their growth, driven by favourable government policies and easing regulations. AHFCs demonstrated robust growth in 9M FY25, driven by strong demand and continued focus on the underpenetrated affordable housing segment. According to ICRA estimates, the on-book portfolio of AHFCs grew by 14% during this period, surpassing ₹1,27,000 crore as on 31st December 2024.¹ This growth trajectory is expected to continue, supported by the government's sustained push for 'Housing for All' and the latent demand in the affordable housing space. ICRA projects portfolio growth of 20–22% for both FY25 and FY26.²

AHFCs accounted for a meaningful 16% share of the total housing finance loan book (excluding HDFC Limited, Piramal, and Sammaan) as of 31st December 2024.³ Notably, prior to the HDFC Limited merger and the inclusion of larger players, their share stood at 6–7%, underscoring their growing relevance in the ecosystem.⁴

Asset quality indicators weakened slightly in 9M FY25 due to portfolio seasoning, though they remain manageable. However, AHFCs have shown resilience, maintaining overall credit quality within acceptable limits.

From a funding perspective, bank borrowings and National Housing Bank (NHB) refinance comprised 76% of the borrowing mix.⁵ Capital market access remained limited, with only a few highly rated entities tapping this route. Despite recent declines in systemic interest rates, the overall cost of funds for AHFCs is expected to remain elevated in the near term, as the benefit from lower rates will accrue gradually when borrowings are reset.

On the profitability front, AHFCs were supported by lower operating expenses (3.3%) in 9M FY25, which helped offset the impact of narrower net interest margins (6.3%) and marginally higher credit costs (0.5%).⁶ While NIMs are expected to remain under pressure, overall profitability remains stable. ICRA anticipates Return on Managed Assets (RoMA) in the range of 2.5–2.7% for FY25 and FY26, consistent with the 2.6% reported in 9M FY25 and slightly below the 2.8% reported for FY24.

As AHFCs continue to expand their branch network and distribution footprint, their operating ratios are expected to remain higher than those of traditional housing finance companies. However, these ratios are likely to stay within a manageable range, supported by improving scale efficiencies and a sharper focus on asset quality and prudent underwriting.

Affordable housing getting a fillip in Budget 2025

In the Union Budget 2025, the Government provided a significant boost to the Pradhan Mantri Awas Yojana (PMAY). The allocation for PMAY-U was increased to ₹19,794 crore, up from the Revised Estimate (RE) of ₹13,670 crore for FY25. In addition, PMAY-U 2.0, a related sub-scheme, received a proposed outlay of ₹3,500 crore—more than double the FY25 RE of ₹1,500 crore.

The Budget also announced the launch of SWAMIH Fund 2 (Special Window for Affordable and Mid-Income Housing) to further strengthen access to low-cost housing. Structured as a blended finance facility with contributions from the Government, banks, and private investors, the fund is expected to have an outlay of ₹15,000 crore and aims to facilitate the completion of 1,00,000 housing units. These measures underscore the Government's continued focus on affordable urban housing and its commitment to addressing the nation's housing needs through increased public and private sector collaboration.



^{1,2,3,4,6}ICRA ⁵CARE Ratings

OPPORTUNITIES

Growth drivers of the Indian housing sector

- » **Digitalisation:** Nearly 95% of banking services are now conducted digitally, with digital platforms growing over 11.3% across the economy.¹ In housing finance, greater adoption of digitalisation and AI is essential to boost productivity, streamline operations, and enhance customer experience.
- » **Urbanisation:** India is experiencing a steady shift in population from rural to urban areas, largely driven by the search for better employment opportunities and improved quality of life. This has resulted in an annual urban population growth of approximately 2.18% to 2.19%.
- » **Affordable housing:** There has been a significant surge in demand for affordable housing, particularly in Tier 2 to Tier 4 cities. This growth has been driven by easier access to low-cost loans, along with improved availability of housing and growing self-construction activities. As a result, the sector has experienced a growth rate of 20-23%.
- » **Government schemes:** Various schemes, such as the Pradhan Mantri Awas Yojana (PMAY) 2.0, have enhanced access to banking services and encouraged increased borrowing.
- » **MSMEs and self-employment:** Semi-urban areas have experienced strong growth in small businesses and self-employment. During FY24, employment in small businesses rose by 10.1%, while self-employed individuals accounted for 58.4% of the total workforce.¹
- » **Repo rate:** The current repo rate stands at 5.5%, down by 100 bps from the previous year. The lower rate cycle will encourage more people especially millennials to consider investing in housing.
- » **Mortgage:** India's GDP continues to grow at a stable pace, while mortgage penetration remains relatively low. In FY24, housing loans accounted for 11.2% of GDP, with projections indicating a rise to 13% in FY25. This is significantly lower than countries like China (28%) and the US (60%).² This suggests significant headroom for growth in the mortgage sector, presenting opportunities for deeper financial inclusion and expansion in housing finance over the medium to long term.
- » **Income tax cut:** The proposed income tax reduction by the Government is expected to increase disposable income of the population. Under the revised tax regime, individuals earning ₹12 lakh annually may save around ₹80,000, while those earning ₹25 lakh could save approximately ₹1,14,000.³ This additional disposable income presents a timely opportunity for the housing sector.

THREATS AND CONCERNS FOR HOUSING FINANCE INDUSTRY

The housing finance industry in India faces several significant threats that could impact its growth and profitability. Here are some key challenges:

- » **Economic instability:** Fluctuations in economic conditions, such as recession or inflation, can affect borrowers' ability to repay loans, leading to increased default rates and impacting the financial health of housing finance companies.
 - » **Regulatory changes:** Rapid changes in regulatory policies, including interest rate regulations or lending norms, can disrupt business operations and profitability, requiring companies to adapt quickly to remain compliant.
 - » **Market saturation:** Saturation in key urban markets may limit expansion opportunities, prompting companies to explore untapped rural or semi-urban areas where demand might be lower.
 - » **Delinquencies :** While high level of non-performing assets (NPAs) or delinquencies pose threat of stability to HFCs, they can overcome these by stringent risk management practices.
 - » **Technological disruption:** Failure to embrace technological advancements, such as digitalisation and automation, may result in companies falling behind competitors in service quality and operational efficiency.
 - » **External shocks:** External factors like natural disasters, geopolitical tensions, or global economic downturns can significantly impact the housing market, leading to reduced demand and revenue loss for housing finance firms.
- Additionally, the affordable housing finance segment faces unique challenges, including:
- » **Higher cost of funds:** Affordable housing finance companies rely heavily on term loans from banks, which typically have higher interest rates, impacting their profitability.
 - » **Asset quality risk:** AHFCs face significant variation in asset quality, with small HFCs having a higher Gross Non-Performing Assets (GNPA) ratio, indicating a greater risk of defaults.
- To mitigate these threats, and other concerns, housing finance companies in India must focus on robust risk management practices, technological innovation, and adaptability to changing market conditions. Such concerns and their mitigation by PNB Housing Finance have been discussed in detail in the Risk Management section of this report.

BUSINESS REVIEW



About the Company

With a legacy spanning close to four decades, PNB Housing Finance stands as one of India's most trusted and respected housing finance companies, dedicated to empowering countless Indians on their journey to homeownership. Backed by the strong legacy of Punjab National Bank—India's first Swadeshi bank—the Company offers an extensive range of financial solutions, including home loans for purchase, construction, renovation, and improvement of residential properties. We also provide loans for commercial real estate, residential plots, and loans against property, catering to the evolving financial needs of individuals and businesses alike.

Registered with the National Housing Bank (NHB), PNB Housing Finance made its landmark debut in the capital markets with a successful IPO in November 2016. Our equity shares have since been listed on both the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE).

We operate through a strong nationwide network of over 356 branches, including 200 dedicated to Roshni, our flagship affordable segment offering. Our team of 2,149 employees is committed to delivering exceptional customer service. Complementing our physical presence, we have built intuitive digital platforms—web and mobile app-based—for seamless access to our products and services. Advanced business intelligence and data analytics enhance operational efficiency, while a zero-trust security framework and round-the-clock monitoring safeguard customer data and ensure robust protection against potential breaches.

Over the two financial years preceding FY25, PNB Housing Finance undertook a comprehensive transformation to evolve into a future-ready organisation built on strong fundamentals and sustainable profitability. We launched a dedicated vertical, Roshni, to address the affordable housing segment and carved out the Emerging markets segment within our prime lending category to cater to rising demand in Tier 2 and Tier 3 cities. Parallely, we focused on strengthening asset quality and recoveries while optimising client acquisition, underwriting, and onboarding processes to build a high-quality, efficient lending engine.

Significant investments were made in enhancing our technology backbone to support scalable growth, improve customer experience, and enable sharper data-led decision-making. FY25 marked the beginning of a new chapter—one in which we started reaping the rewards of our transformation journey. In just two years, Roshni scaled to an impressive book size of ₹5,000 crore—one of the fastest-growing in its segment. Our overall loan book crossed ₹75,000 crore.

To further expand market reach, we added branches across key regions, including Rajasthan, Tamil Nadu and Andhra Pradesh. Our sharp focus on asset quality resulted in a GNPA of 1.08%, down from 1.50% in FY24. With improved credit ratings to AA+, we were able to raise funds from debt capital market, ECB along with bank borrowing, NHB and Deposit at competitive rates, supporting future growth.

STRATEGIC FOCUS AREAS AND PROGRESS



Key highlights of FY25

Disbursements ₹21,972 crore ⬆️ 25%	GNPA 1.08% ⬇️ 42 bps	NNPA 0.69% ⬇️ 26 bps
Loan asset ₹75,765 crore ⬆️ 16%	Return on assets 2.55% ⬆️ 35 bps	Return on equity 12.19% ⬆️ 29 bps
Branches 356 ⬆️ 18.67%	Roshni branches 200 ⬆️ 25%	

⬆️ yoy growth ⬇️ yoy decline

Financial performance

(₹ in crore)

Particulars	FY25	FY24	Change
Net Interest Income	2,749.63	2,516.07	9.3%
Fee and Commission Income (Net of Fees and Commission Expense)	350.50	260.55	34.5%
Other Income	26.28	7.01	275.2%
Gross Income	3,126.41	2,783.62	12.3%
Operating Expenditure	798.88	658.61	21.3%
Impairment on assets held for sale			
Operating Profit	2,327.53	2,125.01	9.5%
Impairment of Financial Instruments and Write Offs	-158.24	171.12	
Profit Before Tax	2,485.77	1,953.89	27.2%
Profit After Tax	1,936.14	1508	28.4%
Other Comprehensive Income (Net of Taxes)	-69.66	-16.25	
Total Comprehensive Income	1,866.48	1,491.76	25.1%
Basic Earnings Per Share (₹)	74.52	58.37	13%

In the preparation of financial statements, relevant Accounting Standards have been followed to represent true and fair view of the underlying business transaction.

The net interest income growth of 9% is driven by declining corporate book share vs last year. Net interest income for Retail business grew by 15% yoy driven by 18% growth in retail loan book. Increase in Fee & commission income is driven by 25% disbursement growth yoy. This resulted in the increase in the gross income. Operating expense grew by 21.3% yoy primarily due to investment in expansion of affordable business, strengthening employee base and technological upgradation. During the year, we added 56 branches strengthening our presence to 356 branches as against 300 branches/outreach

as on 31st March 2024. In FY25, Provision reversal on account of improved asset quality and recovery in the written off accounts resulted in negative credit cost of 21 bps. The recovery is on account of improved collection efficiency and recovery efforts with focus on one time settlements, ARC sale, property sale amongst others. Profit Before Tax (PBT) & Profit After Tax (PAT) - PBT improved by 27.2% yoy and PAT improved by 28.4% yoy on account of business growth and negative credit cost.

Key financial ratio

Particulars	FY25	FY24	Change
Average Yield	10.05%	10.35%	-30 bps
Average Cost of Borrowing	7.86%	8.01%	-15 bps
Spread	2.19%	2.34%	-15 bps
NIM	3.70%	3.74%	-4 bps
Gross Margin	4.11%	4.02%	9 bps
Cost-to-Income	24.58%	22.83%	175 bps
Return on Asset	2.55%	2.20%	35 bps
Return on Equity	12.19%	10.90%	129 bps
Total Provision/Total Asset Ratio	1.48%	1.91%	-43 bps
Gearing (x)	3.70	3.68	2 bps
Book Value Per Share	649	577	
CRAR	29.62%	29.26%	36 bps
Tier I Capital	28.63%	27.90%	73 bps
Tier II Capital	0.99%	1.36%	-37 bps
Risk-Weighted Asset (₹ in crore)	54,859	48,508	13 bps
Networth (₹ in crore)	16,863	14,974	13%

Financial performance

In FY25, PNB Housing Finance delivered a robust and resilient performance, reflecting the strength of our focused growth strategy, customer-centric approach, and disciplined execution. During the year, we sanctioned 96,435 loan applications, marking an impressive 15% increase over the previous year. Our strategic initiatives and enhanced reach translated into record disbursements of ₹21,972 crore—a 25% yoy growth, compared to ₹17,583 crore in FY24.

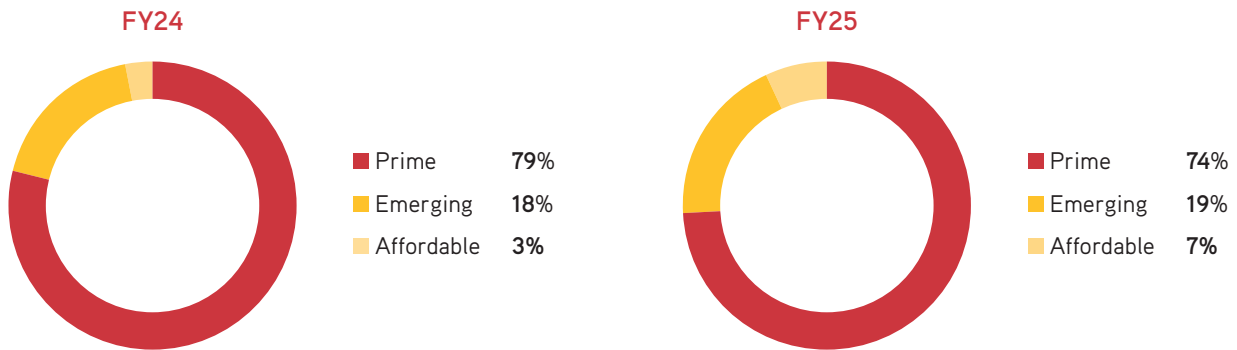
Our total loan asset, as per IndAS, stood at ₹75,765 crore as on 31st March 2025, registering a 16% growth from ₹65,358 crore a year ago. Backed by a retail-driven strategy, our retail loan book expanded 18% year-on-year to ₹74,802 crore, contributing 98.7% to our overall loan asset. Roshni, the dedicated vertical for the affordable housing segment, showed stellar growth, with the loan book increasing to ₹5,070 crore from ₹1,790 crore as on 31st March 2024. Within retail, we sharpened our focus on the non-home loan (NHL) segment, which recorded a disbursement growth of 47%.

We also made substantial progress on asset quality, with Gross NPA declining by 42 bps to 1.08% as on 31st March 2025, down from 1.50%. Net NPA reduced to 0.69% from 0.95% a year earlier. Recoveries from the written-off pool stood at ₹336 crore, leading to a reduction in credit costs to -21 bps in FY25 from 25 bps previously.

Our incremental cost of funds stood at 7.81% for the year. Return on Equity (RoE) was healthy at 12.19%, while Capital Adequacy Ratio (CAR) remained strong at 29.38% as on 31st March 2025. We secured sanctions of ₹5,000 crore from the National Housing Bank and an ECB sanction of USD 350 million.

Amidst tight liquidity conditions, we prudently maintained an on-book liquidity of ₹6,846 crore, with additional sanctions of ₹7,391 crore. Our continued focus on cost optimisation, operational efficiency, and risk management drove improvements in both margins and Return on Assets (RoA), positioning us well for sustainable growth in the years ahead.

Our retail book composition



Backed by a seasoned retail leadership team, we strengthened our future-ready retail franchise with a sharp focus on high-yielding Affordable and Emerging Markets segments, leveraging advanced data analytics to accelerate growth. The housing finance industry recorded approximately 14% yoy growth in outstanding loans as of September 2024, while Housing Finance Companies (HFCs) grew at 13.2% in FY24. Affordable Housing Finance Companies (AHFCs) reported 29% growth in FY24. In this context, we delivered 18.2% growth in our retail loan asset, outperforming both the overall market and HFC

averages. Non-Banking Financial Company (NBFC) retail credit expanded by approximately 20% in FY25, outpacing banks' growth of around 12%. Retail NBFC assets grew at a 23% compound annual growth rate in FY23 and FY24, with projections of 16 to 18% in FY25 and FY26. Operational efficiency improved significantly, supported by a robust digital foundation, including the full-scale implementation of Salesforce in the affordable segment. Of our total disbursements, 61% came from salaried customers, with the remainder from self-employed and other non-salaried categories.

SEGMENT-WISE PERFORMANCE



Retail prime loans

Our retail prime loan book stood at ₹55,607 crore as on 31st March 2025, a growth of 12% over ₹49,828 crore as on 31st March 2024.

Prime individual housing loans

The Prime individual housing loan book stood at ₹40,652 crore registering a growth of 12%, driven by better customer engagement initiatives. With ₹10,290 crore disbursement during the year, the average ticket size in the segment stood at ₹33 lakh, with 59% of our new customers coming from the salaried segment.

₹33 lakh

Average ticket size

Non-housing loans: Prime

With a strategic focus on enhancing margins, we intensified efforts to strengthen our non-housing loan (NHL) portfolio. The average ticket size for non-housing loans stood at ₹32 lakh, with a healthy weighted average loan-to-value (LTV) ratio of 48%, reflecting prudent underwriting practices. Notably, the self-employed category accounted for 66% of the retail NHL portfolio, underscoring our success in tapping into this high-potential customer base.

Emerging Markets individual housing loans

At the start of the year, we strategically carved out the 'Emerging Markets' segment with a clear focus on

expanding into Tier 2 and Tier 3 cities—markets that offer the potential for better pricing and healthier margins. To effectively serve this segment, we established dedicated branches equipped with specialised sales, credit, and underwriting teams. Our approach targets both salaried and non-salaried customers, with a deliberate push to include self-employed non-professionals, thereby broadening our reach and deepening market penetration.

During the year, we disbursed ₹2,803 crore of individual housing loan in the Emerging Markets segment through 60 dedicated branches. The average ticket size stood at ₹24 lakh, with an average loan-to-value (LTV) ratio of 67%, reflecting our balanced and prudent lending approach.

9.73%

Emerging market incremental yield

Emerging non-housing loans

We disbursed ₹1,600 crore in non-housing loans under the Emerging Markets segment. The average ticket size stood at ₹23 lakh, supported by a healthy weighted average loan-to-value (LTV) ratio of around 50%, reflecting strong portfolio quality and prudent lending.

All-round growth in Affordable segment

FY25 marked a milestone year for our Affordable segment, with significant strides made in scaling up operations and deepening our market presence. We launched 39 new Roshni branches, expanding our total footprint to 200 branches across 15 states. Notably, we entered Punjab, Chandigarh and Northeast for the first time under the Roshni banner, further strengthening our pan-India presence in the affordable housing space.

We have developed a customised underwriting framework that leverages Credit Bureau insights, National Housing Bank data, and our internal intelligence to better assess and serve our target customer base. A major highlight for the year was surpassing ₹5,000 crore in loan asset under Roshni— an achievement that underscores our strong momentum and focused execution.

This year also saw an increasing share of customers with informal incomes, reflecting our ability to reach underserved borrower segments. Roshni continues to champion a customer-first philosophy through tailor-made financial products, digital enablement, and intuitive processes that cater to the unique needs of affordable housing aspirants.

The recent extension of the PMAY-U 2.0 further supports our mission. We signed an MoU with the National Housing Bank to facilitate subsidies under this interest subvention scheme. Effective from 1st September 2024, this initiative is a significant opportunity for institutions like ours with dedicated infrastructure and strategic focus in the affordable segment. In just six months, we mobilised over 5,500 eligible beneficiaries amounting to disbursements of nearly ₹750 crore, showcasing our swift and effective on-ground execution.

₹3,427 crore

Disbursements in FY25

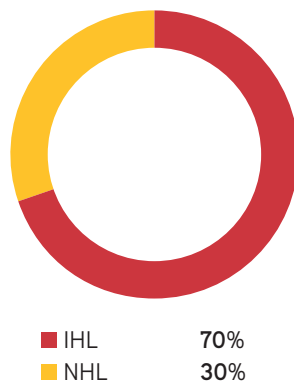
11.94%

Average yield in FY25

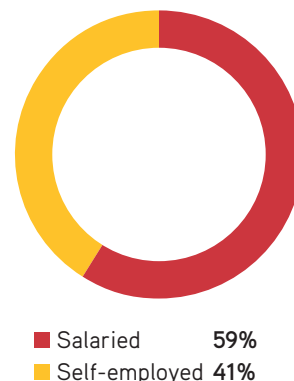
42%

Share of self-employed in sourcing volume in FY25

IHL:NHL mix



Salaried:SE mix



Corporate loans

Construction finance loans

In line with our strategic focus on building a retail-centric portfolio, we continued to consciously reduce our construction finance loan asset. As on 31st March 2025, the corporate finance book stood at ₹963 crore, down from ₹2,052 crore a year earlier. This reduction was driven by sell down, book run-downs and selective write-offs. The construction finance portfolio now accounts for just 1.3% of our total loan asset.

Our sustained efforts in resolution and recovery also led to a significant improvement in asset quality, with nil Gross NPAs in the corporate book as on 31st March 2025 as compared to ₹68 crore last year.

Looking ahead, we plan to selectively re-enter the corporate finance space with a calibrated approach. The focus will be on deals with an average ticket size of ₹100-200 crore. Importantly, the corporate loan book will continue to remain under 10% of the overall portfolio.

Driving growth with disciplined underwriting

Credit underwriting is a cornerstone of PNB Housing Finance’s strategy to drive sustainable business growth and maintain a high-quality portfolio. Operating as an independent function, the underwriting team rigorously evaluate both financial capability and collateral strength, supported by dedicated legal and technical units. This disciplined approach has enabled us to manage a well-seasoned and resilient portfolio of approximately ₹75,765 crore, with consistent year-on-year growth.

Our credit process—from login to disbursement—is fully integrated with digital tools, ensuring thorough appraisal and efficient delivery. From e-verification to automated CAMs and bank statement analysis, every stage is streamlined to minimise risk, enhance repayment profitability, and deliver a faster, seamless experience to the customer.

Leveraging a deep understanding of the mortgage lifecycle and the domain expertise of our teams, we make informed and calibrated onboarding decisions. This has resulted in a well-diversified portfolio, with a healthy mix of salaried and self-employed customers, a focus on low-to-mid ticket size loans, and balanced exposure across sectors.

Our decentralised underwriting model, which places credit teams at branches and integrates technology-led

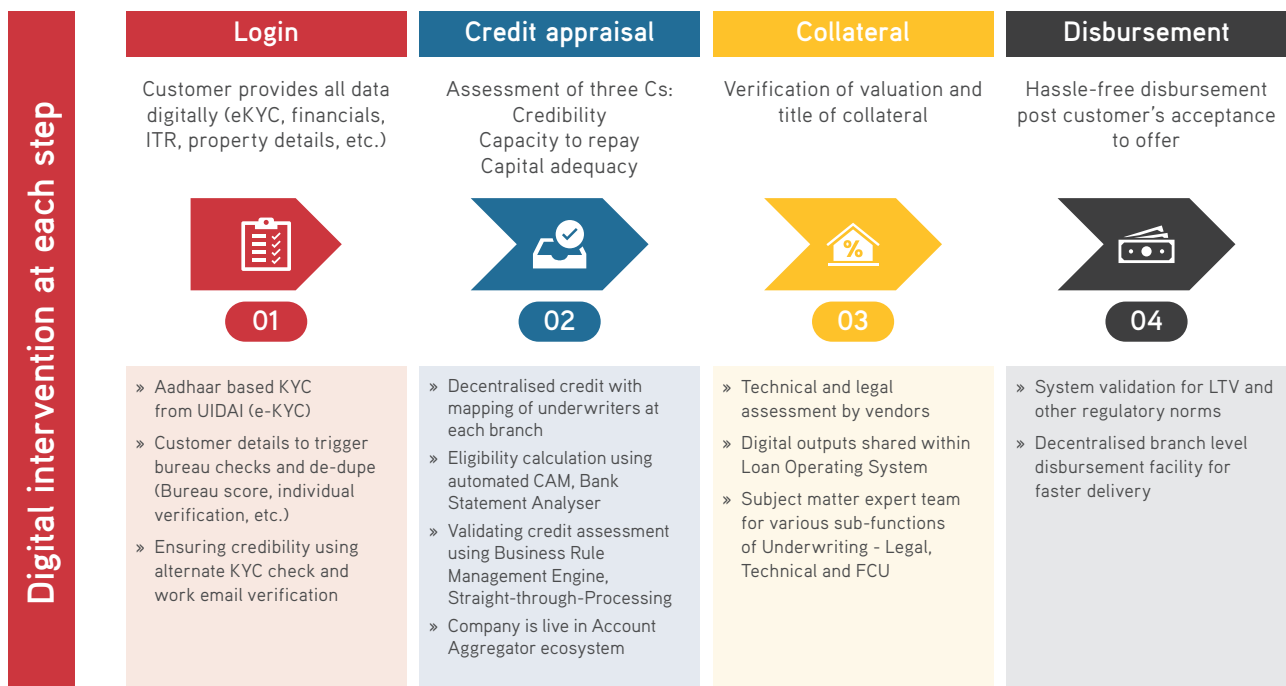
decisioning—such as Straight Through Processing (STP) for salaried segments—has significantly enhanced efficiency. The model ensures adherence to stringent service level agreements (SLAs) for turnaround time and quality metrics, while also creating stronger synergies with our sales teams.

During the year, we witnessed robust business growth, with ~96% of fresh sanctions having ticket size below ₹1 crore. Notably, 84% of incremental business came from customers with bureau scores above 700, reflecting our prudent credit standards.

We also serve diverse customer profiles, both salaried and non-salaried, including those with formal and informal income documentation. Tailored underwriting approaches are applied to each segment, balancing risk with opportunity, and reinforcing our commitment to building a stable and inclusive loan portfolio.

We have made significant strides in improving Turn Around Time (TAT), underscoring our commitment to operational excellence and delivering faster, more efficient service to our customers.

Credit underwriting process flow



Collection and recovery

Retail segment

From an asset quality perspective, we have maintained a sharp focus on proactive portfolio monitoring by leveraging data-driven insights, peer benchmarking, and real-time intelligence from credit bureaus and industry partners. This holistic view enables us to make informed decisions and stay ahead of emerging risks.

Our collections and recovery performance reflects consistent and measurable progress. Through focused strategies—such as deploying pre-delinquency models, enhancing call centre productivity, and bolstering field resolution teams—we have ensured sequential reduction in NPAs quarter after quarter. Early bucket recoveries have significantly improved with enhanced curtailment in the first week of delinquency. Our tech-enabled collections app allows for real-time tracking of field teams and digital payment capture, supporting a data-led approach to resolution.

Recovery from the technically written-off pool has been a standout success. During the year under review, we recovered ₹336 crore, against ₹100 crore in FY24, without incremental manpower. Man-to-man case mapping and bundling of lower-ticket accounts enabled quicker resolutions. Our legal interventions under SARFAESI have also scaled meaningfully. This has reinforced our

market reputation and strengthened our deterrent posture against delinquency.

We have optimised auction processes through improved OTS frameworks and pricing strategies, consistently selling repossessed assets month-on-month. Notably, these recoveries directly enhance our bottom line and help reduce NPAs. Our tech-enabled and strategically designed resolution framework ensures we maintain a high-quality, well-diversified portfolio while supporting steady, sustainable growth.

Lok Adalat

We implemented a pan-India strategy to actively participate in National Lok Adalats, focusing on amicable settlement of small-value housing loan defaults (typically under ₹10 lakh). The initiative aimed at reducing NPAs while maintaining a customer-centric approach. We ensured the presence of our collections officials for on-the-spot settlement with customers and recovery of settlement amount. A 30-day Turn Around Time (TAT) for customer notification ensured strong participation and effective on-the-spot resolutions. With the active involvement of collections officials, we successfully recovered ~₹6.5 crore, significantly contributing to NPA reduction and enhancing customer goodwill.

Our collection strategy

Collections supported by Technology, Data & Analytics



Analytics-based case allocation



Geo-allocation



Real-time field force tracking



Delinquency prediction modelling

Verticalisation of collection team to improve asset quality

X-Bucket resolution

- X- Bucket resolution through
- » Contactless collections
 - » Emphasis on tele-calling
 - » Use of data analytics

Pre-NPA resolution

- Pre-NPA resolution through
- » Focus on roll-back/ stabilisation
 - » Focus to limit forward flow

Consistent NPA reduction

- NPA reduction through
- » Focused early bucket cash collection
 - » Support from legal machinery and SARFAESI
 - » One-time settlements
 - » Auction and sale of properties

Emphasis on recovery on written-off pool

- Recovery through
- » OTS and property sale of written-off pool
 - » Auction and sale of property: Auctioned 537 properties in FY25

99.91%

Collection efficiency in FY25

1.08%

GNPA in FY25

₹336 crore

Recovered from sale of written-off assets in FY25

Corporate segment

In the corporate segment, we continued to reduce NPAs, driven by sustained recovery efforts and the successful resolution of a large stressed account through an ARC transaction during the year. We achieved a significant turnaround in asset quality, bringing down gross NPAs from 3.31% as on 31st March 2024 to 0% as on 31st March 2025.

Credit loss provision

Driven by enhanced resolution efficiency and disciplined recovery efforts, our credit cost for FY25 was at -21 bps, a notable improvement from 25 bps in FY24. As of 31st March 2025, our total provisioning stood at ₹1,119 crore, representing 1.48% of total assets, compared to ₹1,250 crore (1.91% of total assets) as on 31st March 2024. The Stage 3 provision coverage ratio also remained healthy at 36.08% as of the year-end, reflecting our prudent risk management and strong focus on portfolio resilience.

Well-diversified borrowing mix

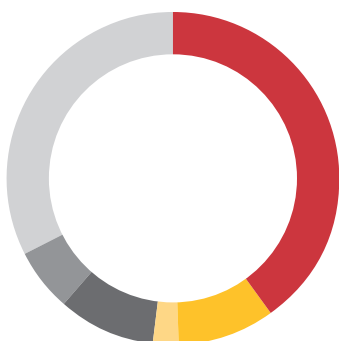
At PNB Housing Finance, we continue to maintain a diversified and cost-effective funding strategy designed to support long-term financial strength and flexibility. Our borrowing mix is well-balanced, drawing from bank loans, deposits, debt market instruments such as NCDs and CPs, as well as NHB refinance and external commercial borrowings.

As of 31st March 2025, bank borrowings constituted 37.7% of our total borrowings, followed by deposits at 28.3%, NHB refinance at 13.6%, NCDs at 9.5%, ECBs at 5.8% and CPs at 5.1%. With 67% of our borrowings in the floating-rate category, we retain the agility to reprice or replace funds efficiently based on market movements. During the year, the contribution from NHB refinance and External Commercial Borrowing increased.

We also managed to reduce the cost of borrowing from debt instruments. The principle of 'more liquid the paper, better the rate' has continued to work in our favour, supported by a declining cost of borrowing at 7.86% for FY25. This is expected to marginally soften in the coming financial year following the RBI's repo rate cuts. Our credit rating upgrades at the beginning of the year, helped in our cost of borrowing which is now factored into our borrowing cost.

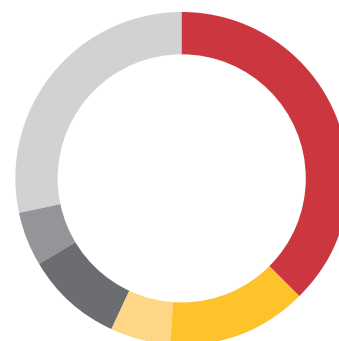


Borrowing mix comparison



FY24

■ Bank borrowing	40.2%
■ NHB refinance	9.2%
■ ECBs	2.6%
■ NCDs	9.6%
■ Commercial papers	6.0%
■ Deposits	32.3%



FY25

■ Bank borrowing	37.7%
■ NHB refinance	13.6%
■ ECBs	5.8%
■ NCDs	9.5%
■ Commercial papers	5.1%
■ Deposits	28.3%



7.86%

Average cost of borrowings in FY25

216%

Average daily Liquidity Coverage Ratio for FY25

Bank credit

Despite tightening credit conditions, we borrowed ₹30,499 crore in FY25, against ₹19,991 crore in FY24 from private and public sector banks.

Deposits

Deposits continue to be a vital funding source for us, with a book of ₹17,642 crore, making us India’s largest deposit-accepting housing finance company. In FY25, we sourced deposits worth ₹6,177 crore, compared to ₹6,324 crore in FY24. We remain focused on optimising this cost-effective channel. To enhance customer experience and operational efficiency, we also introduced new tools to fully digitise the end-to-end deposit journey, making the process faster, seamless, and more accessible.

Non-convertible debentures

During the year, we maintained our strategic focus on the Non-Convertible Debenture (NCD) route for fund mobilisation. Our inclusion in the credit list of all major mutual funds and insurance companies significantly strengthened market access, enabling us to raise ₹2,230 crore through the issuance of secured, rated, and listed NCDs, compared to ₹1,451 crore in FY24. We ensured to meet the regulatory requirement of 25% of incremental long term borrowing through NCD.

NHB refinancing

During the year, we raised ₹5,000 crore from the National Housing Bank (NHB). NHB refinancing, being competitively priced, played a key role in lowering our overall cost of borrowings.

External commercial borrowings

During the year, we accessed the External Commercial Borrowing (ECB) route and availed USD 350 million at

competitive rates, contributing to an overall optimisation of our funding cost.

Liquidity and asset liability management (ALM)

To support our growth momentum, we adopted a well-balanced and diversified funding approach during the year, leveraging multiple sources including bank borrowings, capital market instruments, and deposits. We continued to strengthen our debt market presence while maintaining ample liquidity buffers throughout the year. As of 31st March 2025, our total liquidity, including LCR and SLR, stood at ₹6,846 crore, with additional sanctioned but undrawn credit lines exceeding ₹7,300 crore.

Average daily Liquidity Coverage Ratio maintained at 216% against the regulatory limit of 100% for FY25. We have maintained SLR of 15.2% against the regulatory limit of 14% on public deposits.

Our Asset-Liability Management (ALM) remained positive across all the time buckets as on 31st March 2025, ensuring financial stability and resilience.

We implemented a Robotic Process Automation (RPA)-based tool for the preparation and submission of ALM and LCR reports. This initiative has significantly improved the speed, accuracy, and efficiency of our regulatory and internal reporting processes, reinforcing our commitment to strong risk management and governance practices.

Reaching our customers through a wide distribution network

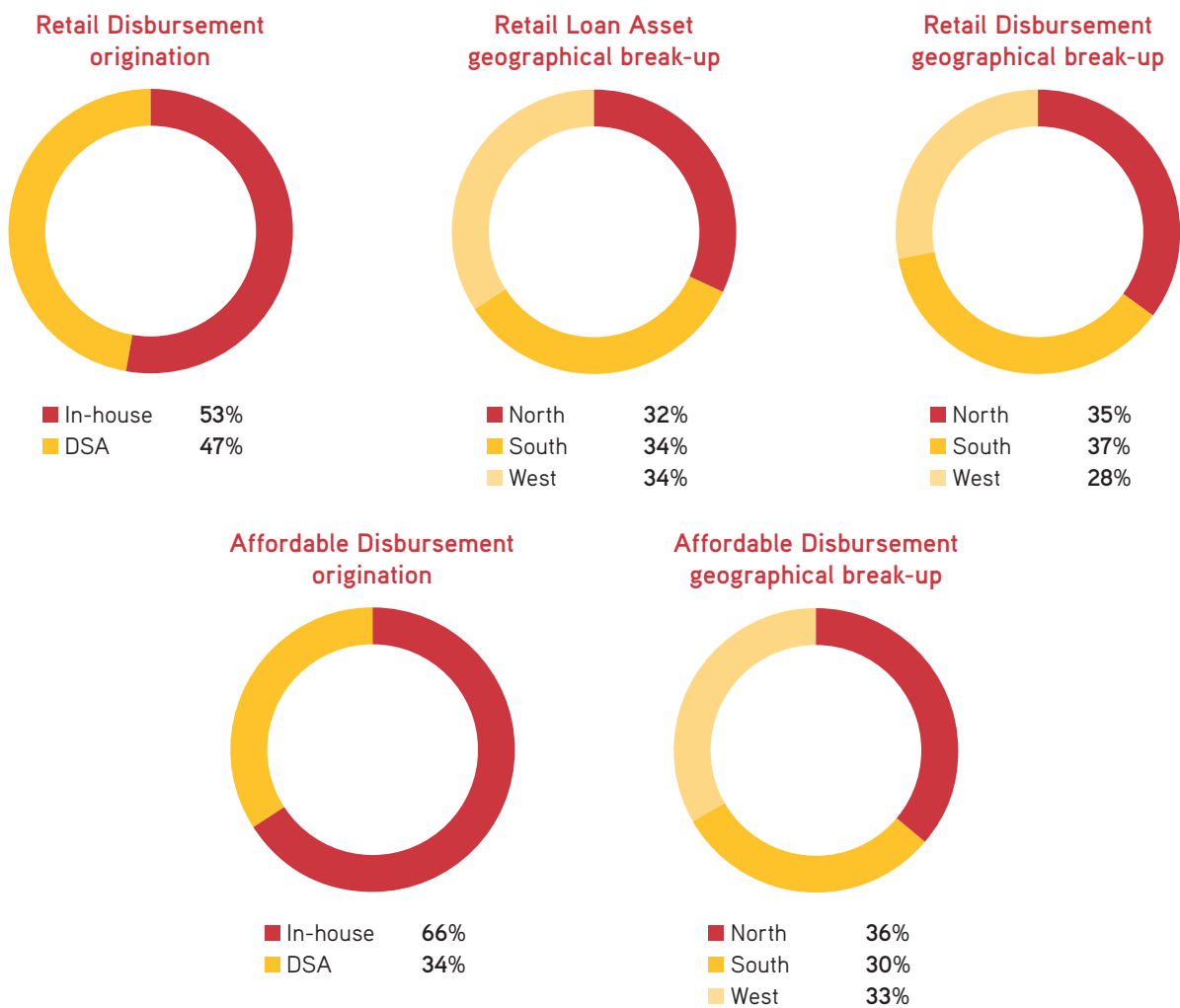
We follow a robust multi-channel sourcing strategy to expand our reach and engage a diverse customer base across key markets. Our dedicated in-house team works in tandem with a strong network of Direct Selling Agents (DSAs) to acquire both loan and deposit customers.

We are supported by a vast ecosystem of over 14,000 channel partners nationwide for loans and deposits.

We continue to strengthen our engagement with Direct Selling Agents (DSAs) through regular meets and training sessions. Our robust digital infrastructure enables paperless transactions, enhancing speed, transparency, and convenience for both partners and customers, while ensuring a seamless sourcing and onboarding experience across all channels.

During the year, we added 16 new branches in the Prime and Emerging Markets segments for deepening our presence in the existing footprint.

Over the past year, we have made significant strides in expanding and fortifying our distribution network within the affordable segment. Through our Roshni Saarthi programme, we have successfully empanelled nearly 2,000 grassroots connectors who serve as vital last-mile enablers in underserved markets. Additionally, we have onboarded around 500 trusted channel partners under our DSA model to enhance customer outreach. To ensure robust due diligence and seamless service delivery, we have built a strong vendor support ecosystem, with over 1,000 empanelled partners for legal, technical, field investigation (FI), and field credit unit (FCU) checks. Leveraging technology has been at the core of our strategy, helping us automate processes, improve turnaround time, and ensure greater accuracy in decision-making.



Driving customer acquisition through strategic distribution

PHFL, a wholly-owned subsidiary of PNB Housing Finance Limited, helps reduce dependence on external channels for new customer acquisition. PHFL operates as a distribution arm for PNB Housing Finance, providing doorstep services to prospective customers and offering a comprehensive suite of financial solutions, including home loan products, property-related services, and fixed deposits. During the year, 53% of new customer sourcing was done through PHFL.

At the core of PHFL's operations is its belief that people are its greatest asset. The organisation fosters a high-performance culture, values individual contributions, and encourages a collaborative work environment built on strong interpersonal relationships. This philosophy has enabled PHFL to maintain high levels of engagement and performance across all levels.

PHFL has been instrumental in the successful scaling of the affordable housing sector by managing both front-end customer interactions and back-end operational support. The Company benefits from strong leadership guidance provided by PNB Housing Finance and has effectively translated strategic direction into operational success. Its ability to scale efficiently, supported by a robust ecosystem and competent workforce, has reinforced its value as a strategic asset to the parent Company.

PHFL has significantly invested in developing its Property Services Group (PSG), which plays a vital role in supporting the recovery of stressed assets for PNB Housing Finance. PSG focuses on identifying potential buyers for NPAs and written-off assets, thereby contributing directly to the parent Company's bottom line and improving its financial performance. The process is streamlined and supported by a dedicated team across key cities, with a well-established broker network overseeing auction properties. Two years ago, PHFL started property exhibitions, an industry-first initiative. PHFL has organised multiple auction fairs in cities like Mumbai, Surat and Kochi, strengthening outreach and buyer engagement. These exhibitions help us approach potential buyers and liquidate inventories and cash to our books. PSG has become an essential business vertical, positively impacting PNB Housing Finance's profitability and aiding in loan recovery efforts. During the year, 537 properties were successfully auctioned by the PSG.

Centralised operations

Our centralised operational structure has been instrumental in driving efficiency, reducing redundancies, and optimising cost across functions. The operations are structured into two key verticals: the Central Processing Centres (CPCs) and Centralised Operations (COPS).

The CPCs, strategically located in Mumbai, Bengaluru, and Noida, act as hubs for processing and storing customer documents—ranging from loan files and deposit applications to repayment records. Each CPC is equipped to handle over 23,000 service requests per month. In our pursuit of digital transformation, we have digitised customer records, ensuring that documents for over 3,36,700 customers are now securely stored on the cloud. This move not only enables quicker access but also minimises risks associated with physical document handling.

Our COPS unit ensures seamless back-end operations, managing deposit insurance reconciliation, pay-outs, vendor bill processing, and channel partner empanelment. Operating in a paperless environment, the team uses digital tools like image processing and electronic payments. In FY25, we mobilised fixed deposits from 95,028 customers.

Distinctly ahead with digital-first approach

At PNB Housing Finance, we are charting a bold digital transformation journey anchored in a robust, scalable, and high-performance technology backbone. Since the initiation of our transformation agenda in February 2023, we have achieved 90% completion, significantly enhancing core systems and digital capabilities across business functions.

A key milestone has been the upgrade of our Loan Management System and rollout of cloud-based Loan Origination Systems (LOS) for Emerging Markets and Affordable segments. These initiatives, coupled with change management, are ensuring seamless adoption, boosting sales efficiency, underwriting capacity, and velocity of collections. Our new CRM tools and outbound marketing capabilities are driving better lead conversion and sales productivity.

Our integrated data platform now offers real-time insights through curated data models, automated dashboards, and predictive analytics. With tools like Tableau and Python, we have streamlined reporting, enabling 360-degree visibility for stakeholders across sales, delinquencies and operations.

AI and ML are transforming our underwriting and customer retention strategies through advanced scorecards and predictive algorithms. These models not only enhance risk profiling but also support proactive and reactive retention management, driving smarter, faster decisions.

Automation is embedded across our operations—cutting down turnaround times and unlocking efficiencies. Initiatives like CERSAI data automation have significantly improved productivity, while Robotic Process Automation (RPA) continues to strengthen operations and finance functions.

Cybersecurity remains central to our tech agenda. We have adopted a Zero Trust architecture, with AI-based monitoring, 24/7 surveillance, and dark web tracking, ensuring resilience amid evolving threats.

Looking ahead, we are investing in Generative AI, LLMs, and NLP-led innovations to enhance customer experience and decision-making. Our IT spends have started rationalising, with positive returns from most initiatives.

With a modern tech stack and an agile deployment capability, PNB Housing Finance is well-positioned to lead through digital agility, intelligence, and resilience.



Elevating customer journeys

At PNB Housing Finance, delivering excellence in customer experience is not just a service goal—it is the verse by which we do business. We are committed to identifying and reducing friction points across the customer lifecycle, with focused improvements in pre-disbursement, disbursement, and post-disbursement stages. In alignment with RBI guidelines and evolving expectations, we reimagined our operations and digital interfaces to simplify, standardise and enhance the customer journey.

Our Roshni business has been integrated with the new Salesforce-enabled LOS and regulatory APIs. This has significantly improved transparency and processing efficiency. Customers are offered system-generated interest rates based on real-time profile assessments. With 82% eNACH penetration, repayments are now seamless via debit card or Aadhaar details. RPT functionality enables instant bank verification, reducing delays.

On the deposit side, our D2C portal has transformed the FD journey into a matter of minutes with digital onboarding, CKYC, and enhanced compliance on a robust platform.

To enhance customer experience and streamline service delivery, several measures have been implemented to

make the process more efficient and customer-friendly. Specific branches have been designated as dedicated service centres, where customers are directed for prompt resolution of their concerns.

These service centres are strategically located and easily accessible, with the primary objective of addressing issues, if any, and providing support on a fast-track basis. In metropolitan cities such as Mumbai and Delhi, multiple sub-centres have been established to further simplify the process and expedite service delivery.

Our PMAY-U 2.0 rollout enabled digital application processing for 1,500+ customers so far, supported by targeted vernacular marketing across WhatsApp, email, and SMS.

Looking ahead, we aim to further democratise access by focusing on the non-prime segment through innovations like paperless onboarding with eSign and eStamping via Legality platform. Our presence across social platforms enables real-time grievance redressal and customer engagement, reinforcing our commitment to excellence at every step.



Building A Brand To Help Build Our Business

कम डॉक्यूमेंट्स में भी होम लोन पक्का!

₹1.80 लाख तक की PMAY-U सब्सिडी पाएं

PNB Housing Finance

Those who break barriers, build legacies.

AchievMen

Great Place To Work, Certified

JUST TWO GOOD!

Great Place to Work for the second year running.

30% Subsidy | **90% Loan** | **8.50% Rate**

PNB Housing Finance

पक्का!

PNB Housing Finance

PMAY-U 2.0 ke saath Pakka karenge sabke ghar ki baat!

Enjoy a subsidy of up to ₹1.80 lakhs on your home loan

पक्का!

PNB Housing Finance

पक्का!

₹1.80 लाख तक का PMAY-U सब्सिडी

PNB Housing Finance

पक्का!

PNB Housing Finance

A Haven & Safe Space - A Sanctuary

Pakka!

PNB Housing Finance

MEET THE MEN MOVING THE MISSION, PRESENTING AchievMen

PNB Housing Finance

Customer-centric marketing for business growth

PNB Housing Finance strategic marketing approach is designed to support business growth, elevate brand relevance across key segments, and deliver measurable impact through targeted, data-led engagement. Our focus areas include increasing business both directly and indirectly, strengthening corporate brand reputation, building internal motivation and employer branding, and deepening our role in customer service and community connection.

Our new brand proposition, Ghar Ki Baat Pakki, Jab Support Ho Pakka, underpins all marketing initiatives. This message reflects our positioning as a trusted housing finance partner, especially for customers seeking clarity, transparency and dependable support. Marketing communication is tailored based on consumer profiling by segment and behaviour. We address the Prime, Emerging Markets and Affordable categories through differentiated campaigns and targeted media.

To create an emotional connect and build differentiation in the sea of sameness in the category, we carved out a distinctive brand identity through innovative and inclusive communication strategies. We created 'Roshni' - a personified, one-of-its-kind brand mascot that represents hope and confidence in the home-buying journey. Roshni, a bright, helpful, confident and cheerful girl, formed an integral part of the brand, symbolising the care and confidence the brand offers its customers.

The Roshni campaign includes three distinct films, each aligned to the affordable housing segment's emotional and practical concerns. These films were released across television, digital platforms, cinema and out-of-home media, ensuring mass visibility and resonance. The mascot-driven narrative was developed to offer relatability and optimism to a segment that traditionally hesitates to engage with formal channels of credit.





Alongside this, we continue to focus on our always-on strategy with initiatives to sustain growth across segments. This includes segment-specific and intent-driven ads delivered with high frequency across platforms such as YouTube, Instagram and Meta. Short-format creatives and vernacular content ensure recall and relevance. Visibility is enhanced through lifestyle merchandise, branch-level branding, community content, earned media and regional influencer partnerships. Performance-driven campaigns are structured with clear calls to action to generate leads and business growth. Unfulfilled leads are re-engaged using remarketing and personalised targeting.

We are also uplifting consideration levels to expand the marketing funnel. Targeted cohorts include direct search audiences, in-market home seekers, life events audiences, custom intent audiences and custom affinity users. Our media plans include paid search, display advertising and Meta campaigns that are mapped to these user groups and buying signals.

Our digital infrastructure is fully enabled to support scale and personalisation. We have onboarded more than 30 online partnerships including all major loan aggregators. Our ecosystem includes a responsive website, RO mobile app, chatbot, CRM 360, marketing automation tools, instant soft sanction journeys and a predictive dialler supported by a 77 member tele-executive team. We also leverage educational content and conduct outreach through email, SMS and WhatsApp campaigns.

As internet penetration deepens and customer journeys remain non-linear, digital marketing allows us to widen our reach and acquire customers more cost effectively.

This structured, segment-led and platform-agnostic marketing approach positions PNB Housing Finance to build scale and deepen relevance while continuing to strengthen the foundations laid earlier.

Always-on strategy: Initiatives to sustain growth across segments			
Maintain strong visibility	Drive conversion-led performance	Community building	Strategic partnerships
			

Fortifying the future with robust risk management

At PNB Housing Finance, risk management is embedded into the fabric of our business strategy and decision-making processes. Our comprehensive Risk Management Framework is designed to safeguard stakeholder interests, ensure business continuity, and promote long-term value creation. Oversight is driven by a three-tiered governance structure comprising the Board of Directors, the Risk Management Committee of the Board, and the Executive Risk Management Committee ensuring accountability and alignment with strategic objectives.

Our approach integrates scale-based regulations, stringent compliance standards, and technology-driven practices to effectively identify, assess, monitor, and mitigate risks across business functions. Risk ownership lies within every business unit, while the Internal Audit and Compliance teams provide independent assurance through structured testing and monitoring mechanisms.

Technology plays a pivotal role in strengthening our risk architecture. Predictive analytics and scorecards offer deep insights—retention scorecards help track potential customer attrition while risk scorecards monitor portfolio exposure. Our strong emphasis on cybersecurity reflects our commitment to safeguarding customer data, which is managed with the highest standards of integrity and transparency.

The Compliance Function operates independently from senior management and the Board to ensure unbiased governance. Regulatory updates from RBI, SEBI, and other bodies are closely tracked to ensure timely and accurate implementation of evolving guidelines. Non-compliance, if any, is immediately reported to the management and addressed.

Our internal control systems are continuously evaluated through concurrent and statutory audits, reinforcing operational discipline. Independent regulatory testing ensures our practices remain future-ready and fully compliant.

To further strengthen our governance culture, we have launched regular employee training sessions on compliance and technology. Cybersecurity has emerged as a Board-level priority, with investments made in infrastructure, awareness, and resilience.

In summary, our risk management framework is not only robust and responsive but also forward-looking. It empowers us to maintain financial discipline, respond proactively to emerging risks, and uphold our commitment to responsible corporate citizenship. Through diligent oversight, empowered business units, and strong internal controls, PNB Housing Finance remains well-positioned to navigate uncertainties and create sustainable value for all stakeholders.

Three lines of defence model

PNB Housing Finance uses the 'Three Lines of Defence model' to manage risk and internal controls internally.

First line

Business units manage risks directly. The first line of defence consists of managers and staff responsible for identifying and managing risk.



Second line

Risk management and compliance functions provide oversight and support. The second line provides the policies, frameworks, tools, and techniques to support risk and compliance management.

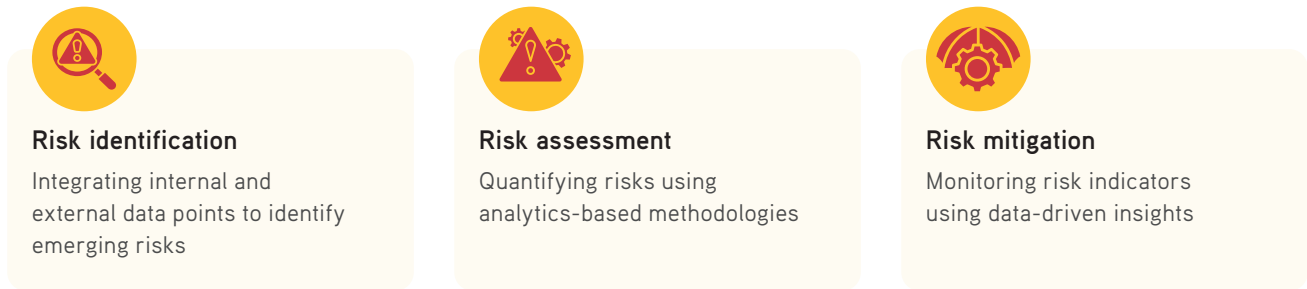


Third line

Internal audit independently assesses risk management effectiveness. The third line, provided by internal audit, ensures that the first two lines operate effectively and advises how we could improve them.

Data analytics in risk management

Data analytics is used to provide actionable insights through the application of various analytical techniques. It is used to influence/support business decisions, find trends in the data, and draw conclusions. Data analytics helps PNB Housing Finance optimise its performance, perform more efficiently, maximise profit or make more strategically guided decisions.



Safeguarding information in the digital age

Our cybersecurity strategy prioritises customer information as the core of our ecosystem.



Core principles

- » Use of preventive, detective, and corrective controls
- » Adherence to regulatory and statutory requirements



In-depth defence

Security controls at all layers - network, endpoint, perimeter, application, data and human



Focus areas

Information security | Cloud security | Cyber crisis | Digital personal data protection



Governance

IT Strategy Committee and Information Security Committee chaired by Independent Directors



Vulnerability management

- » Regular vulnerability assessment and penetration testing
- » Continuous improvement of cyber posture



Data protection

- » Data encryption and secure storage within India
- » Controlled data movement and monitoring
- » Data classification and rights management
- » Data obfuscation for internal stakeholders



Security

Endpoint security

- » End-Point Detection and Response (EDR)
- » Encrypted Data on Endpoints
- » Data Loss Prevention (DLP) and restricted access
- » Regular security patches and enabled endpoint firewall

Network security

- » Zero Trust Network Access (ZTNA)
- » Next-gen firewalls and intrusion detection/prevention
- » Network segmentation
- » Web application firewall and multi-factor authentication



Monitoring and incident response

- » 24x7 Security Operations Centre (SOC)
- » Monitoring social media and dark web for data leaks
- » Restricted server communication



Disaster recovery and business continuity

- » Established disaster recovery and business continuity plan
- » Regular information security training and simulation exercises

Risks and mitigation measures

Key risks	Mitigation measures
<p>Credit risk</p> <p>Credit risk is the significant financial loss that arises when customers or counterparties fail to fully honour their obligations to the Company, including making full and timely payments of principal, interest, and other receivables.</p>	<ul style="list-style-type: none"> » We have a robust framework to identify, assess, measure, monitor, control and report credit risks in an effective manner. » We have made business units accountable for effective credit risk governance and customising risk measurement approaches for various portfolio segments/sub-segments to ensure the risk is appropriately assessed. » We have deployed tools to observe early warning signs of delinquency and taking proactive measures to maintain asset quality. » We conduct stress testing of assets periodically, as per ICAAP requirements. » We are consistently reviewing Key Risk Indicators (KRIs) of concentration and delinquency to stay ahead of potential risks, and reviewing and aligning underwriting policies and processes with the dynamics of the business environment at micro levels to ensure risk mitigation strategies are up to date.
<p>Liquidity risk</p> <p>Failing to meet financial obligations due to insufficient financing requires proactive risk management. Effective risk management can prevent financial disruptions and ensure ongoing operational support.</p>	<ul style="list-style-type: none"> » We maintain optimal liquidity levels to manage our business requirements and maturing debt obligations. » The Company has Board approved stock ratios and early warning signals to continuously monitor the liquidity in the system. » Further, we have deployed digital tools to report ALM and LCR.
<p>Interest rate risk</p> <p>Interest Rate risk refers to the impact of rate change on the asset and liability of the Company. This risk emanates from the external economic scenario, RBI policies, etc.</p>	<ul style="list-style-type: none"> » The Company has a mix of floating and fixed rate in its borrowing that will help in reducing the impact. » Continuous monitoring of board approved ratios and stress testing keeps a track of any impact.
<p>Technology risk</p> <p>Inability to stay updated with latest technology may expose us to inefficiency, system failures and the evolving cyber threat landscape.</p>	<ul style="list-style-type: none"> » We are continuously investing in upgrading our technology. » We are monitoring systems constantly for uptime and health, and disaster recovery sites have been created for seamless operations in case of system failure.
<p>Reputation risk</p> <p>Reputation risk refers to the impact of actions, decisions, or events on the trust and perception of our brand. This impact can stem from various factors, such as sub-par customer service, ethical lapses, negative media attention, or association with controversial activities.</p>	<ul style="list-style-type: none"> » We have a dedicated customer relations team to handle customer complaints and resolve them in a time-bound manner. » Our engagement with stakeholders, including employees, customers, suppliers, and media, helps identify potential risks and implement preventive measures. » A mechanism for recording and reporting risks helps us track the risk exposure and develop effective operational risk management.
<p>Cybersecurity risk</p> <p>Potential adversities resulting from vulnerabilities, threats, or attacks targeting digital systems, networks, or data.</p>	<ul style="list-style-type: none"> » We have taken measured approach to ensure information security and prevention against evolving threats. » We are running cyber security training and awareness programmes for our employees. » We also send periodic communication to our customers and employees to safeguard them from phishing.

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

The Company has put in place adequate internal controls and processes that are commensurate with the size and scale of the organisation to mitigate operational and other allied risks, including 'segregation of duty'.

The Company has various committees and control functions, that are designed to review and oversee matters pertaining to capital, assets and liabilities, business practices and customer service, operational risk, information security, business continuity planning and internal risk-based supervision among others. The Company has instituted the three lines of defence model.

The first line of defence is directly involved in day-to-day business activities—such as loan origination, customer service, and collections. The second line of defence functions set standards and lay down policies and procedures to manage risks and compliance with applicable laws, regulatory guidelines, adherence to operational controls and relevant standards of conduct. The Company has appointed Chief Compliance Officer (CCO) & Chief Risk Officer (CRO), responsible for identification and assessment of risks and provide guidance on related matters and monitor and test compliances across the organisation. Internal Audit function headed by a Senior Executive, is the third line of defence which provides independent and objective assurance to the Board and Senior Management.



The Company has a mix of preventive and detective controls implemented through systems and processes, ensuring a robust framework to enable correct and complete accounting, identification of outliers (if any) on a timely basis for corrective action and mitigating risks. Mechanism of testing the controls at regular intervals is in place which checks their design and operating effectiveness to ascertain the reliability and authenticity of financial information.

INVESTOR ENGAGEMENT



At PNB Housing Finance, we have a strong Investor reach out programme designed to reach wider set of investors across geographies. It helps not only in updating the investors about the Company and its performance but also understand and resolve investors queries and helps as a feedback mechanism. The Investor Relations team actively engages with the investors and research houses during the year through meetings, calls and conferences. The Company ensures to communicate with the market participants on regular basis via press releases, financial results release, presentations, fact sheet, earnings call and branch visits. To know more about the Investor Relations programme of the Company please visit the Investors page on the website.



Empowering people to drive progress

At PNB Housing Finance, our people strategy is centered on motivating and engaging employees while fostering a culture of excellence. We sustained initiatives like Long Service Awards, MD’s Toppers Club, etc. and introduced new ones like Employee of the Month/Year to celebrate and recognise achievements. Our L&D framework focused on leadership development and succession planning, including a top 100 leadership programme in collaboration with ISB.

We strengthened behavioural and customer-centric training and launched new modules on service and sales excellence. Wellness was prioritised through health checks, medical

insurance and camps. Diversity saw improvement with 17.8% gender representation, new initiatives for women and specially-abled hiring, and mentoring programmes like *AchieveHer 2.0* and *AchieveMen*.

We accelerated our HR digital journey with a new HRMS, improved hiring TATs, and launched a travel portal.

Through these comprehensive initiatives, we continue to build a resilient, inclusive, and future-ready workforce that is empowered to drive sustainable progress.



Outlook for FY26

India’s housing sector is on a high-growth trajectory, propelled by rising incomes, rapid urbanisation, and strong government focus on affordable housing. This presents significant headroom for housing finance players. PNB Housing Finance is well-positioned to capitalise on this momentum, backed by a strong nationwide presence, agile systems, and capable talent. With a governance-first, risk-calibrated approach at its core, the Company is focused on long-term value creation, while enabling aspirations and contributing meaningfully to India’s housing and economic development story.

Cautionary statement

This Annual Report contains forward-looking statements that relate to the implementation of strategic initiatives and provide information on our business development and commercial performance. While we believe these statements reflect our judgement and future expectations, it’s important to note that a range of factors beyond our control could cause actual results to differ materially from what we anticipate. These factors include economic conditions, government regulations, natural disasters, and other important considerations. As a result, PNB Housing Finance cannot guarantee the accuracy of these forward-looking statements, and we undertake no obligation to revise them to reflect future events or circumstances.