बैंक ऑफ़ बड़ौदा
Bank of Baroda

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The Vice-President, B S E Ltd., Phiroze Jeejeebhoy Towers Dalal Street Mumbai – 400 001 BSE CODE-532134	The Vice-President, National Stock Exchange of India Ltd. Exchange Plaza, Bandra Kurla Complex, Bandra (E) Mumbai – 400 051 CODE-BANKBARODA

Dear Sir / Madam,

Re: Disclosure under Regulation 46(2) (LODR)

We enclose transcript of Analyst and Media Meet held on 31.01.2024 for Q3 (FY2023-24) Financial Results.

We request you to take note of the above pursuant to Regulation 46 of SEBI (LODR) Regulations, 2015 and upload the information on your website.

Yours faithfully,

P K AGARWAL
Digitally signed by P K AGARWAL
Date: 2024.02.06 15:10:18 +05'30'

P K Agarwal
Company Secretary

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Bank of Baroda Analyst Meet for Quarter ended 31st December 2023

31st January 2024

Participating members from the Management Team of the Bank

- *Mr. Debadatta Chand, Managing Director & CEO*
- *Mr. Ajay Kumar Khurana, Executive Director*
- *Mr. Lalit Tyagi, Executive Director*
- *Mr. Lal Singh, Executive Director*
- *Mr. Ian Desouza, Chief Financial Officer (CFO)*

Moderator: Good afternoon, everyone and welcome to Bank of Baroda's financial results for the quarter ended 31st December 2023. Thank you for joining us for the Analyst Meet. We have with us today our MD and CEO – Shri. Debadatta Chand, and he is joined by the Bank's Executive Directors and the CFO. We have a short presentation which will be followed by brief opening remarks by Mr. Chand, and then we will open it up for the Q&A session. Chand sir, over to you.

Mr. Debadatta Chand: Good afternoon, all. Thanks all of you for sparing your time and joining us today. So, I am D. Chand, I am the MD and CEO. And with me, we have Mr. Ajay K. Khurana who is a familiar face, and he has been there in the Bank for more than four years, and he looks after our MSME vertical and also the recovery vertical, importantly the recovery vertical. Then we have Mr. Lalit Tyagi who is the Executive Director looking after the Corporate Credit, the International Banking and Treasury. And possibly Mr. Lal Singh is joining for the first time. The third Executive Director is Mr. Lal Singh. He is looking after the IT, the HR and all platform functions, most of the platform functions. So, with this Ian, please make the presentation and thereafter I will come with some qualitative remarks after that.

Mr. Ian Desouza: Good evening, everyone and I would like to take you through the key highlights of our results for this quarter.

So, in terms of global advances, we grew our global advances a little shy of 14%, at 13.6%. Domestic advances grew at 13.4%. International grew at 14.4%. We have been guiding that international advances will moderate in terms of growth, and this has started to track from this quarter onwards, wherein international advances have been growing in line with the domestic advances. Domestic advances had grown at a little faster clip in the last quarter. But, you will see on the graph on the right-hand side that we have moderated our wholesale advances from 16% in the last quarter to around 10.2%. In terms of retail, we continue to grow very strongly and continue to grow at 22%. Agri and MSME also are growing well at a little shy of 13%.

Within retail, you will see the education, auto and personal loans are growing strongly, whereas our core retail, which is our home loan secured book, is also growing well at a little shy of 16%. In terms of personal loan, you will see that the growth, as we had guided, has moderated a bit from what we had reported in the last quarter. The sequential growth is also around 8% as against the sequential growth of 16% that we had reported in the September quarter.

In terms of our deposit franchise, we had called it out in our stock exchange filing, that we have de-grown bulk deposits. So, bulk deposits, excluding CD, had come down by around INR 20,000 crores and including CD, bulk deposits have come down by around INR 14,000 crores. If we had done bulk deposits to that extent, our growth in total deposits would have been around 9.5%, a little shy of 10%. In terms of domestic deposits, we grew at 6.3%. And overall if you see, as I was calling out earlier, bulk deposits have de-grown quarter-on-quarter 6.6%. So, this is a NIM accretive measure we believe, and you will see in a later slide that our NIM has improved sequentially. Domestic CASA as well has grown by around 81 basis points quarter-on-quarter.

So largely the key P&L metrics, NII has grown around 10.5% year-on-year on 9-month basis. Operating profit is up by 22%, profit after tax is up by 38% and return on assets is up by 22 basis points and is tracking well above the 1% guidance that we had given for return on assets.

The same numbers, if you look at from a quarter lens, a year-on-year quarter lens, operating profit while it may look optically down, if from the same quarter in the previous year you exclude the reversal of mark-to-market provisions that we have done of around INR 750 crores, you would have a normalized operating profit for Q3 FY23 of INR 7,482 crores. If you view the normalized operating profit of Q3 FY23 versus this, there is a gap of around INR 400 crores. In terms of profit after tax, we are up by 19% and ROA is at 1.2% for the quarter, up by 7 basis points.

In terms of yield on advances, essentially on a sequential quarter base, we have actually improved our yield on advances by around 8 basis points, where our cost catch-up has moderated down to around 4 basis points. We believe that the impact of re-pricing deposits will be lower going up year on out, unlike the last 2 quarters where we saw a quick catch-up on re-pricing of deposits. Our deposit tenure is generally around 1 year. So, we believe the deposits that will be maturing now will already have the deposit high-cost priced in. So, we will not see sudden catch-ups on deposit costs year on out. In terms of net interest margin, we had guided that it will be around 3.15% plus or minus 5 basis points. If you see the 9-month figure, it is tracking to that at 3.14%. Whereas, for the quarter, it has increased by 3 basis points to print at 3.1%.

In terms of asset quality, the asset quality of the Bank continues to strengthen, and GNPA has dropped sharply to print at 3.08%. NNPA is at 0.7%. Our provision coverage ratio remains strong on TWO loans, it is close to 94%. In terms of slippage, our slippage guidance had been between 1 to 1.2%. We are well below that at 0.95%. In terms of the sequential quarter also, which is not mentioned on this page, the slippage was higher optically because of one large aviation account which slipped in that quarter and one large mortgage loan from overseas territory of around INR 500 crores. So, INR 2,200 was the slippage in the last quarter just because of these two loans. Otherwise, slippages has been tracking well across quarters. Our credit cost has printed at 0.39% for the quarter.

Largely, if you see SMA 1 and 2, has been well below the 40 basis points for a long time now. And now it has printed at 0.24% for the quarter ended December '23. This is the CRILC above 5 crores SMA 1 and 2. So that's an indicator of that there's no large buildup of non-current loans which have not yet become an NPA in our book. In terms of the collection efficiency, it is tracking very well at 99%.

In terms of our capitalization position, as you are all aware, there were new RBI norms on risk weighting of loans to NBFC and personal loans, unsecured loans. Taking that impact into account, we've seen our RWAs go up and we have had some ding on our capital adequacy from 15.3 to 14.72 in the quarter ended as of 31st December. However, CET-1 continues to be at 11% and Tier-1 is at 12.67%. However, if you include the profit for the 9-month period and exclude the dividend, which we have been paying, net of dividend, the profit would have increased our CET-1 to 12.44% and our CRAR would be 16.05%. If you look at our LCR, that is our liquidity coverage ratio, it is comfortable at 133%.

That's all from me in terms of opening remarks. I will now hand it over to our CEO, Mr. Debadatta Chand for his comments.

Mr. Debadatta Chand: So, thanks Ian, and once again, a very good afternoon to all of you. So, I'll make some qualitative remarks with regard to the performance we had. As you know, we had a good quarter for the Q3. The net profit has been at INR 4,579 crore, which is a YoY 18.8% growth. On a 9-month basis, the net profit has been INR 12,902 crore up by 38%. And with this quarterly profit, for last four quarters consecutively we're posting profit in excess of INR 4,000 crore. And on a run rate scale, if I say that, the cumulative 9-months profit has been almost 91% of the last full year profit.

As we said earlier also, we pursue NIM and ROA as a twin objective to achieve. And there have been a lot of discussions last quarter when we announced the Q2 results. So, I'm happy also to share that the NIM part, not only we sustained that, rather we have increased the NIM vis-a-vis the last quarter. So, the NIM for Q3 has been at 3.10% and for 9 months it has been at 3.14%. This is exactly in line with the guidance that we had given to the market on the NIM where we said that, for the full year NIM would be 3.15% plus minus 5 bps. So, we hold the same guidance for the full year. And as also I said last time while discussing on the NIM part, we wanted to slightly moderate on the growth of bulk deposit or the dependency on the bulk deposit that we have done for this quarter. I'm talking about the Q3. At the same time, the international NIM, obviously, the NIM is not at the same level like the domestic NIM. So, the growth of international is also being moderated. Now, the growth of international also will align with the domestic growth. So, otherwise, if you take the domestic NIM, it is at a very good level of 3.23% for the quarter and for 9 months, it is 3.27%.

See, on the bulk deposit, Ian already highlighted and that we announced also while publishing the unaudited numbers, that the reduction in bulk deposit vis-a-vis the Q2 outstanding is almost INR 20,000 crores, and something around INR 6,000 crore we got it repriced through a CD route. So, the bulk and CD has gone down by INR 14,000 crores. So, that's something NIM accretive and that is what something we intend to pursue for optimizing with regard to the bulk deposit. At the same time, as I said, the international growth also around 15% which is aligning with the domestic growth. As I said, NIM and ROA, both are a twin objective for the Bank. The ROA has been pretty well placed at 1.20%. We have the guidance at more than 1. We continue to hold that guidance. Now, for six quarters consecutively, we are maintaining ROA in excess of 1%.

On the balance sheet side, on the domestic advance, the growth has been 13.4% and global is at 13.6%. As we shed a bit of bulk deposit at the same time also shedding a bit of low yielding corporate asset. You have seen the corporate asset growth is almost at 10% as against 16% growth in the earlier quarter. So, without this, the growth would have been much higher. So, we hold to the same guidance of the increase in advances by the 14 to 16 % range.

At the same time, deposit has been at 6.3% for domestic and 8.3% for global. And normally what we see in this quarter, that is I'm talking about the January-February-March quarter, is normally a very productive quarter for all the banks. And a scenario like that, although we also acknowledge that there is a tight liquidity condition prevailing in the market and systematically also all banks are having a lower growth on the deposit, we are optimistic to optimize on the deposit front. And typically, you would have seen that, we as a Bank, we have come out with large number of differentiated products, both on the savings and also on the current account. If I outline some of them, we have introduced differentiated the savings account, which we introduced the last time during the festival time, that is a bob LITE, bob BRO, bob Parivar account, bob Salary account, bob NRI account, on the savings front side.

At the same time, current account, we introduced seven new differentiated products a couple of days back. These are all bob Lite, bob Women Power, bob Smart, bob Gold, Rhodium, Platinum, Diamond. These are all differentiated products just to meet the needs of different customer segments in this market and try to get them by offering some differentiated products or differentiated offer based on their customer profiling. So, we hope that the March quarter will be a better quarter in terms of the growth of deposits. In case we have not reduced the bulk deposit, the growth would have been much higher on the deposit front, but then we are hopeful of optimizing in this quarter.

On the asset quality, we have been, as per the guidance which Ian already highlighted. We guided the market for a slippage ratio between 1 to 1.2%. On the credit cost to less than 1%. And I'm happy to share that as already we have highlighted, the slippage ratio has been at 0.95% for Q3 and 1.06% for 9 months. The credit cost has been at 0.39% for the Quarter and 0.69% for 9 months. And in terms of GNPA and Net NPA also, you have seen the movement on the positive side. So going forward, the stance of the Bank is very clearly to have a tight leash on fresh slippages, at the same time optimizing on the recovery efforts.

Apart from the normal guidance, we said a couple of things last quarter while talking to all of you. One is, already highlighted that, aligning the international growth in line with the domestic growth. Let me again say that we are a unique bank in terms of, almost 16% of the book coming out of international exposure. Although the ROA in international has been better than that of domestic, but the NIM is obviously because of the market has been lower than the domestic NIM. At the same time also, I said about reducing our dependency on bulk deposit to a large extent, and that also we have done in this quarter. The third thing which also we said last time against multiple question, is to moderate on the personal loan segment. So, if you see as Ian already highlighted, as against more than 100% growth YoY, the growth has gone down to 60% this quarter YoY. But what important is that, I announced this measure in last quarter, and the sequential growth in this quarter i.e. Q3 over Q2 has been 8%. And in case I annualize, it would come in the range of 30 to 35%.

So, these are a few of the thoughts that I thought let me make some qualitative remarks. So, now we are open for questions.

Moderator: The first question is from Ashok Ajmera. Please unmute yourself and ask the question.

Mr. Ashok Ajmera: Thank you very much for giving me this opportunity. Compliments Chand saab and the entire team of Bank of Baroda. Am I audible?

Mr. Debadatta Chand: Yeah you are audible. Please go ahead.

Mr. Ashok Ajmera: Sir, a very good set of numbers. Especially if you look at the profits and all the asset quality and recoveries, as well as slippages control, your credit cost. So, complement for the same. I have few questions based on these results. Number one is that in the employee's cost, can you comment that what is the impact in this quarter which we had to have because of the increase in the revision in the expected increase from 15% to I think 17%? So how much amount or how much hit we have taken in this quarter in the employee's cost? And why the same is not being reflected if you compare with the last quarter? So, this is one on this.

Second sir on the operating profit side also. Even though it is explained in the initial note presentation, that reversal of M2M provision of INR 750 crore account, but still the operating profit is almost about INR 1,000 crores down as compared to the last quarter. So there definitely would have been some growth in the operating profit with this difference. Where is the difference of another INR 300 or 400 crores? Is it because of the because of the gap or because of certain increase in the cost? Because I couldn't go through in detail, every breakup of the cost. So this is my second point.

And sir my third point is sir, that you are now launching many more new digital products. So are we behind that bob World episode? Are we totally cleared from Reserve Bank of India, and no penalty or no major consequences are there of that, and we are moving away ahead now normally as was before that episode? So, these are a few just questions and thoughts sir. If you can just do some kind of colour on that.

Mr. Debadatta Chand: Yeah. Let me take the second first and then come to the employee last. As far as operating profit is concerned, you would have seen that the change vis-a-vis on the MTM, I mean on the investment portfolio is almost in excess of INR 500-600 crore now, because last time there was a write back as far as the mark-to-market is concerned, and this time we have provided depreciation in the book. So that's a change of INR 500-600 crore.

Another is, if we look at the commission and income, that we have provided under non-interest income, there is a dip there. Our normalized commission and interest income is roughly around INR 700 crores to 750 crores. But last quarter we had some kind of a one-off in terms of few underwriting bills which we had done in the international, giving us a substantial fee out of those transactions, which was not in this quarter. So, if you normalize both the things it would match vis-a-vis the operating profit of last quarter and this quarter. And if you compare the year back, the MTM change is more than INR 1,000 crores. So, it would all normalize into a normal operating profit in excess of INR 7,000 crores that you are talking of, going forward.

On the second on the bob World thing, bob World is a digital platform, so nothing to do with regard to the scheme that we are introducing. Last time also when we interacted, we said that if bob World is only one of the channels, we have significantly scaled up the other channels for acquiring customers. The other channels can be multiple in terms of tab banking, branch banking, multiple channels we do have. So, there is no impact in that way. And these are all the schemes where these are typically to be sourced at the branch level. So, this independent product has nothing to do with regard to bob World. With regard to the restriction of RBI, we are already on the compliance mode between the regulator and the regulated entity’s discussion going on, and I hope that the ban is revoked at the earliest.

On the employee cost, we are maybe one of the banks where we have adequately provided in terms of the revision of wages and salary, and rather they have disclosed that. We have more than adequately provided in terms of the increase that we are talking vis-a-vis the settlement. Ian anything further you want to add on this?

Mr. Ian Desouza: Yes sir. So Mr. Ajmera, we have taken in the quarter a provision of close to INR 425 crores for the wage arrears, and this is tracking in line with the provisions we made in earlier quarters. It is only marginally higher by around INR 50-60 crores. That is why you cannot spot it as a huge variation. So, we've been providing at a high level for almost 9 months now. So, you cannot actually spot it out in the QoQ sequential. So cumulatively, just for your knowledge, as we have disclosed in the Notes to Accounts, we have a cumulative provision for wage arrears of INR 1,745 crores.

Mr. Debadatta Chand: Sure, Ajmera saab, just to add again, because I know you track the treasury quite closely, in terms of the depreciation, as we said earlier also, we run a large FRB book. And although the 10 year G-sec is almost the same level vis-a-vis September and December, but the FRB, because you have to take the market price in terms of valuation, there is a dip therein. So, because of that, the additional depreciation.

Moderator: I request everybody to stick to two questions per person. The next question is from Rikin Shah. Please unmute yourself and ask the question.

Mr. Rikin Shah: Thank you for the opportunity. I had two questions. First one was, the CASA growth for the system in general is weak, and for us this quarter we de-grew the bulk deposits. Now with the LDRs of 83-84 percent and the CASA problem for the system persisting, so in that context do you still expect to keep running down the bulk deposits, or would you be looking to mobilize it going ahead? That's number one. And second is pertaining to the reversal of the provisions on the standard loans that we are seeing in the P&L in the last two quarters. Why are they reversing and how long this reversal will continue? Thanks.

Mr. Debadatta Chand: Okay, so let me address the CASA, this is a systemic phenomenon, considering the tight liquidity the growth in CASA has been low. In terms of our guidance if you look at couple of things that allowed us to slightly de-grow on the deposit because last quarter, also, I raised almost INR 7500 crores through the bond route, that is the infra and also the tier two route. And the same way we also have 7500 planned for this quarter. Out of that, INR 5000 already we have raised on the infra bond and the pricing would have seen that has been very good, the market has good response vis a vis the Bank of Baroda brand. So, it again, a mix and match of multiple sources just to support the credit growth. As we are guiding, that we will grow at 14 to 16% credit growth. Then to the extent the required amount of liquidity required, whether it is a CASA growth or a bulk deposit growth or some kind of a borrowings in the form of bond, these are all the options available. But the fact that we are conscious of, while doing all this, that also we discussed last time, is the impact on the NIM. So, to the extent we manage both in terms of how do you manage the NIM at the same time, optimize the cost will keep doing. We said dependency on the bulk, going forward, just we see the market and also may raise bulk but at the same time clearly conscious of the fact that the NIM impact is more important in terms of how do you see the growth, on the bulk.

On the standard reversal of provision, what I understand that because the restructured book is going down, there is a reversal happening. Khurana Saab, anything further you want to add on this?

Mr. Ajay Khurana: Yes sir, this is the same thing, because this standard book also contains a restructured book. So, there is a reduction of INR 2200 crores in restructured book. So, because of that, this provision has been reduced.

Mr. Rikin Shah: Sir just two follow ups on the same question, the restructured book, if you could quantify what is the outstanding number today and assuming that this continues to trend down for how many more quarters do we expect a reversal on the standard loans? That's the first follow up. And the second one, going back to my first question Chand Sir is, are you targeting any particular level of credit deposit ratio?

Mr. Debadatta Chand: Just to address on the credit deposit. See, we earlier also I said, we have a very unique, in terms of that may not be true for many of the banks here in India. We have almost 16, 17% of the exposure coming out of international. And there are two things that happen in international - one is a NIM is low, at the same time, credit deposit is much higher. So, in a scenario like that, if you look at my credit deposit on a normalized basis, it is normally higher than any other bank. So, if you look at the domestic credit deposit, we are almost trending at 80%. Right. So, that is something again, we intend to continue with that level of around 80%, but international, because of that, it goes above 80%. But then we have aligned, moderated the international growth and don't think the impact would come much from that. So, there is no specific, what you can say, targeting level for the credit deposit ratio but we like to operate within, around 80% level. And the earlier thing, Khurana Saab can you just take it up on the restructured.

Mr. Ajay Khurana: Yes. Regarding this restructured, present restructured book, at this, now we are around 9900 crores. So, every quarter there is a reduction between 15 to 20%. So, this is what we are expecting that this is going to happen even the next quarters also. So accordingly, the provision also will be reduced.

Mr. Debadatta Chand: Just to add one point while giving particularly on the asset quality, see we normally mimic the economy in that way. If you look at the current the economic cycle is in a very good form. So, the asset quality concerned, I do not see stress for many quarters now, but all these are guidances basis on how the economic cycle will behave and then accordingly adjusting those guidances.

Moderator: The next question is from Mahrukh Adajania. Please unmute yourself and ask the question.

Ms. Mahrukh Adajania: Yeah. Hello. Congratulations.

Mr. Debadatta Chand: Thank you, thank you, Mahrukh.

Ms. Mahrukh Adajania: Yeah. So, I have a couple of questions you did mention about….

Mr. Debadatta Chand: We can't hear you Mahrukh, can you repeat your question?

Ms. Mahrukh Adajania: Sir, can you hear me now?

Mr. Debadatta Chand: Now I can hear you. Please go ahead.

Ms. Mahrukh Adajania: Yes, sir. So, Sir my question was on deposit growth, you did mention on your deposit growth that your deposit growth will pick up in the fourth quarter. There was bulk repayment, etc. so that would be true of loan growth as well. Right? As in that maybe corporate loan growth picks up a bit and then your sequential loan growth would be higher than what we saw this quarter. It was 2.5% this quarter on a sequential basis. So, the same holds true of loan growth as well. Correct.

Mr. Debadatta Chand: Now if I reply, my loan growth guidance has been 14 to 16%. That is what we said earlier and this time it is marginally below 14% because of a precise strategy that we talked about. So, for as far as the Q4 is concerned, we'll operate in the 14 to 16% band. And if the resources are quite strong, then possibly the growth can be higher. But all will depend upon how the resources side mapping up.

One thing that clearly we said to the market or to you is that I'm not only dependent on the deposit now, I have the bond route also to strengthen my ALM structure. Right. So last quarter we raised INR 7500 crore. This quarter we are going to raise INR 7000 crore, already INR 5000 crore is raised. So, these are all supporting me in terms of how do I again look at the loan growth. So, I think we'll operate within that band of 14 to 16% for the entire loan growth. If you have seen the components of the loan growth, also the retail, MSME and Agri continue to be at the same rate, which was in September. The only what you can say the change thing in the corporate growth. So that's a number which can be aligned very well. So, if there is a pick up further in the corporate growth, we'll look at the resources and raise money accordingly. Right.

Ms. Mahrukh Adajania: Okay, sir. Sir, and what do you do in terms of yield on loans then, do you see a further pickup, especially in domestic yields, of course, international is difficult to predict, but do you see do you see margins expanding in the fourth quarter? Since, your deposit growth would have stabilized.

Mr. Debadatta Chand: My guidance as we sad that full year guidance is 3.15%. So again, the quarter NIM is around 3.10%. So another five bps to cover on a quarter and sequentially, I mean, for nine months, we are almost at that level. So, two things can I say that in terms of the MCLR book still can be a component in the book, which can be repriced, because everything happens with a lag that can be quite a possibility. Secondly, on the NBFC book, because there was RBI guidelines where there was a higher risk weight. So, a bit of resetting happening on the NBFC book. So that can also be an upside therein. And I think a very stable outlook in terms of the NIM structure, because the cost of deposit already like my entire deposit is now repriced in one year time because the incremental rate, the new rate is only on the incremental deposits. So already one year has been lapsed, and the duration of deposit in banks are almost like at one year. So, I don't think much of cost pressure coming out of deposit in any way. At the same time, bit of upside is there in the income side. So, we'll maintain the same guidance and operate within the NIM of 3.15%.

Moderator: The next question is from Nitin Agarwal. Please unmute yourself and ask the question.

Mr. Nitin Agarwal: Yeah. Hi. Thanks for the opportunity. And congrats on a good set of numbers. So, first question is on the fee growth. While other incomes I understand is down because of the Treasury and the revalue of investments related effect. But even the fee growth, which has been a focus area for us, and we talked about it in the prior quarters, has been running a bit slow. So how do you see that shaping up in the coming year?

Mr. Debadatta Chand: Okay, so fee, as I said earlier, the Bank is focusing very strongly on the concept called fee and flows. So, flows is talking about capturing the cash flow, whether it is a retail customer or corporate customer, at the same time on the fee side. So, you are right on that. Actually, the growth has been almost 16% on the fee side on a YoY basis. We want to optimize that and try to make it more higher. We have instituted some kind of a structural change within the Bank in terms of how do you look into particularly the charges, the commission and all those stuff. So going forward, we are going to have a comprehensive look. In terms of the relationship, corporate side things have started doing well.

One small component that may not be, but that is a decision already we have taken because a lot of fee and commission is to come out of the personal loan segment. And there as a strategy, we told to slightly de-grow impacting on the fee or the processing fee side more. So, these are small what you can say impact as on today but then Bank would short term, medium term and long term continue to focus very strongly on the fee and our concept of fee and flows, we want really to see that coming into real, what you can say value for the Bank in that way. So, we'll continue our focus. I do agree that slightly this quarter has been low against our expected because of a small component of personal loan where we deliberately tried to pull the growth down. Otherwise, it would continue to be strong in that way.

Mr. Nitin Agarwal: Right Sir, sure. So that was my question. So, thank you so much.

Mr. Debadatta Chand: Thank you very much. Thanks.

Moderator: The next question is from Rakesh Kumar. Please unmute yourself and ask the question.

Mr. Rakesh Kumar: All right. Thank you, sir. So, most of the questions have been already asked. Just one question I had that was with respect to, this margin again. So, in our view you know, correct us if I'm if we are wrong, so LDR, domestic LDR is already at 81%. And this quarter, as you also said in the opening remarks that we have shed a lot of wholesale number and we might have also shed some of the corporate asset also, so that margin can be held up and there is an increase in the overseas yield also overseas margin also. So is that because of the, we are kind of going slightly slow on that. So, what is the headroom here in the margin like to my understanding, it like, we don't have much of space on the asset composition side. And if we can't do anything on the credit composition side, please kindly highlight just to understand the margin trajectory, possibly from here.

Mr. Debadatta Chand: See as far as, thanks Rakesh for asking this question. As far as margin is concerned will be sticking to the guidance of 3.15% plus or minus five bps. In terms of composition of the asset side all would depend upon, as you have seen also last quarter on the balance sheet number on the bulk deposit and the corporate is one key driver in terms of how do I construct the book. But personal loan, we have said that we'll because that was a high margin product, we are slightly moderating that's given at this point of time. So not much I can see a change in composition in any way from the current and all would depend upon how the yield curve or the rates structure start moving off or going down for the next two months. So, it's a strategy, balanced strategy in terms of how do you see a decent growth at the same time maintain the margin for the bank. On the cost of liquidity is a key factor while that you have seen that you have done in last quarter and going to do also in this quarter. On the cost side Tyagi Saab anything further you want to add based on the market scenario?

Mr. Lalit Tyagi: So, sir, we see that in terms of the RBI stance on the rates and globally also, rates appear to be have peaked unless and until there is any sudden market development on either side. So, we feel that going forward, rate either should stay for some time and then come down post second or third quarter. As far as liquidity is concerned, we also think that after some time when the government spending comes to the market liquidity situation should also improve. So overall, we feel that deposit cost pressure, which is felt now by banks, including us, should get soften out probably from the next quarter onwards. This quarter, probably we may not, we do not think that much of ease. As far as the asset side is concerned, as MD Saab has already encapsulated, we also feel that there is a slight upside in terms of the MCLR repricing book or some sort of upward movement. However, because the business pressure margins will always remain in pressure on the asset side. So that's why the NIM is going to stay where it is. And we have already said this. And from the next quarter onwards, probably there should be a softening on the deposit side.

Mr. Debadatta Chand: So just to add to that, actually we last time said that margin expansion is not the only objective for the bank. So, we also have a twin objective of both margin and also ROA. So, it's a balance in terms of how do you do the trade-off. So, to the extent the margin get impacted, then you add the fee income and others to improve the ROA. So, we'll continue to do that. And the margin is in a very tight spot as far as banks are concerned at this point of time. So I'm also arranging a band of maximum five bps offside in that way. So, we are still sticking to a 3.15% kind of a guidance for the current year.

Mr. Rakesh Kumar: Thanks. A very elaborate response, sir. Thanks very much, sir. Just one clarification we needed, sir. On the wage revision, what was the assumption that we had as on September’23?

Mr. Debadatta Chand: Ian, can you take this question?

Mr. Ian Desouza: Yes. So, the assumption has been similar, so essentially from June onwards, we've been providing at 18%. So, no change. Only thing we had a small increase in the provision in December of around INR 65 crores. But essentially our assumption has been throughout been the same. In terms of wage areas where we seem to be sufficiently provided the only thing I'd like to call out since you asked the question, is that there may be some small catch up on the AS 15, which is the retirees and gratuity payments, but we will see that once the full details of the wage settlement are published in probably this quarter.

Moderator: The next question is from Jai Mundra. Please ask your question.

Mr. Jai Mundra: Yeah. Hi. Good evening, MD sir, ED sir and CFO. Sir, a small question on term deposits. So, in the presentation, we see that, we have introduced a new retail products, retail deposit products, which are priced at 7.6, 7.8, 7.9 and have a decent tenure also, which is clearly higher than the current outstanding cost of term deposit, right, if one were to assume something. So, and as you said that you want to focus more on retail term deposit side versus bulk deposit side. So, this should ideally move the pressure, I mean, this should ideally move the cost of deposits upward for the next, you know from next quarter onwards. Is that right understanding because you don't want to focus too much on the bulk, whereas the retail term deposit, you have hiked the price.

Mr. Debadatta Chand: Couple of things here. One is that the rate that you are talking about these are loaded rate. Right. So, loading with the senior citizen and all those stuff. The base rate on those are much lower as compared to the rate we are saying. So, the peak rate is always the all loading factors and the peak rate and that is how banks do announce, in the same way we announced. The two strategies clearly, we have done this is that we recently increased the interest rate for buckets below one year short term rates and moment I am getting any short term rates the cost would be definitely cheaper than the one year rate but higher than the rate we had earlier. So, I am able to reprice those deposits at a lower cost.
Our sense is that possibly post May 2024 the liquidity scenario may completely change. And in that scenario, I'm not trying to lock in on a very high on a longer term. The second strategy was that while putting the 360 BOB deposit, which is the flagship deposit scheme now, on the base rate of that is 7.10. So even if we are getting the deposit on under that segment that will be much cheaper than the current bulk rate. Current bulk rate are really very high, higher level.
Thirdly we also in the presentation added 2 coming soon products on the term deposit and that will introduce as early as possible. One is with regard to MIBOR linked floating rate deposit for slightly HNI and institutional customer at the same time coming out with green deposit because green deposit is a different segment altogether. So, all the strategies possibly that we are thinking of would optimize the cost structure on the term deposit. There is a big push going on in terms of, if you see the retail term deposit, the growth has been better than the last quarter. And that is something we want to optimize in this quarter fully. Rather, we are asking extensively asking the branches that let's say retail term deposit, CASA, these are the things we need to source considering the very tight liquidity scenario. So, it's a mix and match option in terms of how do we optimize. But the idea is to reduce the cost, not to add to the cost. Right.

Moderator: We are taking last question for the evening from M.B. Mahesh. There has been a drop in recovery and upgradation of loans. Could you let us know what is in the pipeline? From an accounting perspective, how are inter-quarter slippages and recovery or upgradation accounted for retail loans? The second question is break up of slippages in retail loan book. What would be the contribution from personal loan within the retail segment? And thirdly of the personal loan, is there co-lending also in this portfolio? What is the contribution and how is it risk shared?

Mr. Debadatta Chand: So Khurana Saab can you take a couple of them? I'll come at the last.

Mr. Ajay Khurana: Yes. As far as the drop in recovery is concerned, we are as per the target, the target, whatever we have fixed for the quarter, as well as for the till nine months, we have already achieved the targets. And similarly, whatever internal targets are there, those are going to be achieved for, even for the next quarter also. All the pipelines are there, although there is no big NCLT recovery in pipeline but the normal recovery, what we have been doing through our franchisees, through all the branches that and that we are going aggressively because this is a very, you know last quarter, mostly the you know, the everything gets activated. So, this is what we are expecting, that the entire recovery is going to happen.
As far as these retail NPAs are concerned, total it was around INR 553 crores, which includes co-lending but there is no NPA in co-lending. NPA in co-lending is zero as of now. And the majority, of course, it comes from personal loan a little bit it is higher than you know which is normal. The unsecured personal loan remains

higher than the home loan or the other auto loan. So, but still within, the overall slippages is 1% in retail this is what is the status.

Mr. Debadatta Chand: So just to add to what Khurana Saab said as far as personal loan the NPA is quite low number as on today. And if you have the risk-based pricing, they are all covered up in terms of the risk based pricing. So absolutely no concern at this stage. And our book percentage to a very large extent is our existing customer, so there is no concern. But as a normally the regulatory guidance with regard to the, the risk weight and all we have decided to moderate that is what we have outlined last quarter and continue to follow till we come out with a new stance on the personal loan segment.

Moderator: Thank you, sir. That'll be it for the evening. Ian, if you can, please give the vote of thanks.

Mr. Ian Desouza: So, I'd like to thank everyone for engaging with us this evening and it's been a very constructive and engaging conversation. Look forward to seeing you in the following quarter. Thank you very much.

Mr. Debadatta Chand: Thank you. Thank you all. Thanks for joining.

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Bank of Baroda Media Conference for Quarter ended 31st December 2023

31st January 2024

Participating members from the Management Team of the Bank

- *Mr. Debadatta Chand, Managing Director & CEO*
- *Mr. Ajay Kumar Khurana, Executive Director*
- *Mr. Lalit Tyagi, Executive Director*
- *Mr. Lal Singh, Executive Director*
- *Mr. Ian Desouza, Chief Financial Officer (CFO)*

Moderator: Good evening everyone and welcome to the media conference for Bank of Baroda financial results for the quarter ended 31st December 2023. We have with us today the MD & CEO Shri Debadatta Chand and he is joined by the Bank's Executive Directors and the CFO. We have a short presentation followed by brief opening remarks by Mr. Chand and then the Q&A session. Chand Sir, over to you.

Mr. Debadatta Chand: So good evening to all. Thank you very much for joining this media interaction. I am D. Chand, MD & CEO of Bank of Baroda, with me Mr. Ajay K Khurana, who is the Executive Director and has been with the bank as a whole time director for more than 4 years now. He looks after the MSME vertical along with the recovery apart from other functions. Then we have Mr. Lalit Tyagi. He is the Executive Director looking after the corporate credit, the investment banking and also treasury. Then we have with us Mr. Lal Singh, possibly you are meeting him for the first time. He looks after the HR, the IT and other platform functions And Ian has been a familiar face with all of you for long. So before I hand it over to Ian to run through the presentation, let me again thank all of you because you must have seen a change for this quarterly media interaction. Earlier, many of the media interactions we used to do on Saturdays and there used to be a lot of feedback from all of you that Saturday is a non-working day. So this change is because of all of you so I am thanking all of you on this. Over to you Ian.

Mr. Ian Desouza: Thank you Sir. So just want to take you through the highlights of our performance so far in terms of this quarter. In terms of growth and advances YoY at a global level has been close to 14%, domestic advances has been tracking at 13.4%. One reason why domestic advances are tracking at a little below YoY growth we showed in September quarter is that we have consciously moderated our wholesale advances which is our corporate advances to 10.2% as against 16% in the last quarter. Our international advances also has been moderated from 20+ levels in the previous quarter to around 14% and this is as we have guided.

Retail on the other hand continues to strongly grow at 22% and the rest of the RAM that is Agri and MSME grew at close to 13% year on year. In terms of within the retail, the portfolio home loan which is our secured book and relatively safer advance is growing at a strong 16%. Education loan growing at 18%, auto loan 24% and from 67% growth that we showed in the last quarter year on year, personal loans have moderated down to 60%.

In terms of deposit profile, in our stock exchange filing we had said we had reduced our bulk deposit by around INR 14000 crores and if we had not done that, our total deposits which are increasing by 8.3% would have increased by 9.6% year on year. Reducing the bulk deposits has helped us improve our net interest margins. In terms of domestic CASA, it is growing at 4% and domestic term deposits are growing at 8%. In terms of as I said bulk deposits have de-grown quarter on quarter by around 6.6%. In terms of the CASA ratio, CASA ratio has improved on sequential quarter basis by 81 basis points thus helping us in the NIM journey. Please go ahead.

So this is our 9 months profit matrix. In terms of net interest margin, we have seen almost 10.5% NII growth versus the previous year's 9 months and in terms of operating profit, we are up by close to 22%. Profit after tax is up by 38% and our return on assets which is an important matrix for us where we guided above 1% continues stand at 1.15% which is 22 bps higher than the same period in the previous year. Can we go ahead?

When it comes to the quarter numbers, the operating profit optically looks a bit lower but if we exclude from the year ago period, reversal of mark to mark provision of INR 750 crore which is volatile item since it is linked to market conditions and not core operating profit of the Bank. If we reduce that volatile item of INR 750 crore from INR 8232 crore, you would arrive at an operating profit of a sustainable level of around close to INR 7500 crore. So this year's operating profit of INR 7000 crore has to be viewed in that light. In terms of the profit after tax for the quarter, it's been 4 quarters now since we have printed profit above INR 4000 crore and this is almost 19% growth year on year. ROA for this quarter remains strong at 1.2% which is 7bps higher than the year ago period in FY23.

If you look at our yield on advances in a sequential manner of quarter on quarter, yield on advances has grown by around 8 basis points whereas the cost of deposits has only grown by around 4 basis points. That is helping us accrete our NIMs and improve our NIMs from 3.07% in the last quarter to 3.1%. We had given guidance for the full year NIM of 3.15%, + or – 5 basis points and if you see the 9 month period, NIM is within that range of guidance. Can we go ahead?

In terms of our asset quality numbers, you would see our GNPA continues to reduce and we are at 3.08% GNPA. NNPA is well below 1, at 0.7%. Provision coverage continues to remain strong and sprints at almost 93.4%. Slippage has moderated and is below 1%, though we had given guidance in the range of between 1 and 1.2. Credit cost remains well below the 1% guidance we gave at .4%. Go ahead.

If we look at the CRILC SMA 1&2 which is loans above 5 crore which are not in the zero day bucket, that figure continues to trend very well and it is at just .24% and it compares well with the sequential quarter and is much below the same period in the last financial year. Collection efficiency is trending at an all-time high and is close to 99%.

So in terms of balance sheet strength, we already saw the asset quality ratio. The other parameter for balance sheet strength is capital adequacy and liquidity coverage. In both these ratios, we are trending very well and we are at a capital adequacy of 14.72% and our tier1 capital is close to 13% and CET1 is 11%. If we were to include the profit for the 9 month period excluding dividend, our CET1 would be well above 12% and our capital adequacy will be at 16.05%. LCR, as I mentioned is very well printed at 133%.

With this, I come to the end of my presentation and I would hand it over back to Mr. Chand to give us his remarks.

Mr. Debadatta Chand: Thanks Ian and once again to all of you, a very good evening for joining us today and I would give some qualitative remarks with regard to the performance we had for this quarter. This quarter has been a good quarter. We have a profit of INE 4579 crore which is a YoY growth of almost 19%. For the 9 months cumulative profit, the growth has been 38.2%. By posting a profit of more than INR 4000 crore for the last consecutively 4 quarters, we are now posting a net profit in excess of INR 4000 crore and with the 9 months profit of INR 12,902 crore, we have almost achieved 91% of the profit in the last full year. So that talks about the sustainability of profit for the Bank going forward.

Also, I said last time, when I talked about the margin, we said that we as a Bank pursue NIM and ROA as twin objective to optimize and also happy to see the NIM for Q3 has been at 3.10% as against 3.07% in the last quarter and for 9 months, it is at 3.14%. So we gave a guidance earlier to maintain NIM at around 3.15%, +/- 5bps. Now we are holding the same guidance for the full year, based on the performance that we are going to have for this quarter.

At the same time, we also last time said that we are a unique Bank because on the international book, we have almost 16-17% of the global book and internationally we operate at a much lower margin, almost at less than 2%. So we last time also said that we are going to moderate on the international growth aligning with the domestic growth and we have done this also in this quarter. If you look at the domestic NIM, it is at a very good level of 3.23% for this quarter and for 9 months at 3.27%. So at the same time, as I said that NIM and ROA, we are pursuing as a twin objective. We gave a guidance of maintaining ROA in excess of 1% so in this quarter, the ROA has been 1.20% and for 9 months, it is at 1.15% and with this, for the last 6 consecutive quarters, we are maintaining ROA in excess of 1% which is considered as a good benchmark performance.

On the balance sheet side, Ian already said that the growth in advances has been at 13.4% for domestic and global at 13.6%, which is marginally below our guidance of 14-16%, precisely because of the result that we already outlined when we announced the unaudited numbers saying that in this quarter, we reduce our bulk deposits to the extent of INR 20,000 crore and bulk and CD composite by INR 6000 crore. Because of that, we had to realign our corporate book so precisely for that reason, the growth is slightly lower than the guidance of 14-16% but again for looking forward for this quarter in the full year, we maintain our guidance of growing at 14-16%.

On the deposit side, you have seen the growth has been, global growth has been at 8.3%. Had that earlier strategy of not de-growing the bulk deposit, our growth would have been higher. But again going forward, if you look at the industry scenario also, this is one aspect we are concentrating heavily to augment the retail in the deposit franchise of the Bank. You would have seen that in the last 2 quarters, we would have announced host of differentiated savings and current account products which are having different offers for other segmented customers in both the segments. If I talk about savings account, then we have a BOB LITE that we announced. We have BOB BRO accounts, we have BOB PARIVAR accounts, we have BOB SALARY account, we have BOB NRI account which we announced in the last quarter.

Couple of days back, on the current account we announced now in the BOB LITE account, BOB WOMEN POWER account, BOB SMART account, BOB GOLD RODIUM PLATINUM and DIAMOND account. On the fixed deposit front, we have announced a deposit scheme of BOB 360 deposit. At the same time, in the presentation also I mentioned that we are going to announce 2 more deposit products. One is, with regard to the green deposit, which is a different segment altogether and also some kind of a floating benchmark linked product also in this quarter. The focus clearly for this quarter is on the resource because all of us know that we are in a tight liquidity scenario and at the same time, we need to optimize on the retail base of the Bank.

Asset quality, whatever we guided last time, we have come through on all the guidances. We said that on the slippage rate, our guidance has been 1-1.2% and the credit cost is less than 1%. For this quarter, the slippage ratio is .95% and for 9 months, it is at 1.06%. The credit cost for this quarter is .39% and for 9 months, it is .69% both in terms of training of GNPA and NNPA, you would have seen a reduction sequentially in the last quarter. But while going forward, we as a strategy, we will keep a tight leash on the slippages and at the same time would optimize on the recovery front.

Couple of things that I also said last time while discussing with you in terms of aligning our international book which already I said, we have aligned. Growth is now aligning with the domestic book now. The lower dependency on the wholesale deposit as I already said that we have reduced rather than moderated the growth on the outstanding in December as compared to September. The 3rd thing also, lot of queries we received last time with regard to the personal loan growth. I said that in the earlier growth, although it was a very small base, earlier growth we were going to moderate on that. If you look at the YoY growth on the personal loan this time, it is at 16% and sequential growth is at 8%, which used to be more than 100% YoY and sequential around 15%. So if I take the sequential growth of 8% and annualize that, it will come to the level that we wanted to be around 32-35%.

So with this, I thank all of you for showing your faith on the Bank and the market has also reverted post our quarterly results. So now we are open for question answer. Thank you very much.

Moderator: Thank you Sir. We are now opening the floor for question and answer. I request everybody to stick to 2 questions per person. The 1st question is from Joel Rebello from Economic Times. Joel, please unmute yourself and ask the question.

Mr. Joel Rebello: Good evening Sir. Sir, if you look at your numbers, the retail loan has been good but your NII and margins have been pretty weak. If not for the provision write back, I think the profit would have been much lower, the growth in profit would have been much lower. I just want to understand, what's the outlook on the growth? Because that big provision of decline of 72% actually helped the profits. So if you could just comment on that. I have a couple of follow-up questions also.

Mr. Debadatta Chand: Ok. So in terms of NII growth, we have said 2.6% and that's pretty better as compared to many of our industry peers in terms of that. And the provision that we said is not a provision write back. A lowering of provision is because last quarter we said that we made a prudential provision in the aviation account along with the international account. So that was one off. Otherwise our normalized provision rate is the same that we have done in this quarter. So in that way, there is no, like it's a normalized provision that we have done so there is no impact in terms of the profit being lower or higher but we believe that we continue with the same but also it shows that better asset quality for the Bank. So the moment you have a lower provision, there is a better asset quality. In that way, we have been fairly comfortable. As I said, the net profit has been consistently now more than 4000 crore for 4 quarters. So our guiding would also be in the similar lines. So ya, further what do you want to add on this?

Mr. Joel Rebello: I also wanted to understand why are your operating expenses up? If you see, year on year, your operating expenses are up. Also written off provisions and written off accounts are also up. So in these 2 lines, if you can just explain why your operating expenses are up and provisions on written off accounts?

Mr. Debadatta Chand: Ian, can you take the operating expenses and then hand it over to Khurana Saab?

Mr. Ian Desouza: I will take it. So if you look at operating expenses, I think a big component of our operating expense is more than 50% is the employee cost. If you understand about the wage settlement, so the wage settlement was due in November'22. So in the 9 month period ended December'22, we had only 2 months of wage arrears provision which amounted to around INR 200 crore whereas in this financial year, we had 9 months of wage arrears provision amounting to almost INR 1545 crore. So cumulatively, we are carrying a provision of INR 1745 crore, out of which INR 1500 crore was made in this financial year itself. So if you adjust for that, I don't think the operating cost has really shot up. And if you look at the other operating costs, I think it is growing around 13% which is not significantly higher than what we see in our peer group as such.

Mr. Joel Rebello: How much was done this quarter Sir for this employee cost?

Mr. Ian Desouza: Around INR 425 crore.

Mr. Joel Rebello: And the total number is INR 1745 crore, if I have got it right?

Mr. Ian Desouza: Yes, perfect.

Mr. Joel Rebello: Ya sorry, please go ahead.

Mr. Debadatta Chand: Just to add to that, the operating expenses for this quarter sequentially it has gone down. If you compare the 9 months, there is an increase for the precise reason the CFO said. Right?

Mr. Joel Rebello: I am looking at year on year Sir. Sorry, ya.

Mr. Ajay K. Khurana: Joel, what is the question on – is it on the provision on written off?

Mr. Joel Rebello: Yes, yes Sir. Year on year, the provision on written off accounts has gone up. I just wanted to understand the reason.

Mr. Ajay K. Khurana: We do not provide anything on written off accounts. Written off accounts are already provided and written off. So I think there is some confusion somewhere.

Mr. Ian Desouza: What is the question precisely Joel? Which line are you looking at?

Mr. Joel Rebello: 1min. Sir. This is the break-up that you all have given Sir.

Mr. Ajay K. Khurana: Which page?

Mr. Joel Rebello: This is from the release you all have given.

Mr. Ian Desouza: What is the number you are looking at?

Mr. Joel Rebello: Sir. In the table that you all have given, if you look at provision for bad debts and written off accounts….

Mr. Ian Desouza: Its INR 1000 crore

Mr. Ajay K. Khurana: INR 1000 crore.

Mr. Joel Rebello: It's up year on year 23%.

Mr. Ian Desouza: So INR 1000 crore, pretty much if you see in the last 6 quarters is a normalized run rate for us. So it would have been an aberration in the year ago period but INR 1000 crore is pretty much the run rate. If you see the sequential quarter of the previous quarter, it was a little elevated at INR 2200 crore because we had provided for an aviation account 100% but INR 1100 to 1200 crore is the normalized run rate for NPA provisions.

Mr. Joel Rebello: Ok. Just wanted to get a final comment from Mr. Chand. You mentioned that you all decreased the bulk deposits, you all went slow on deposits but you all still think that the, you all can make up for it, the one reason the loan growth was little slower was because of this decrease in deposits. You all still think that you all can maintain the growth in deposits at 16-17% for this year and where will the growth come from? Some outlook on the same?

Mr. Debadatta Chand: So fairly you are right on that. We agreed on a guidance of 14-16% and we can fairly do that. The reason being we augmented our resources in terms of raising bonds from the market. You would have seen that last quarter, we raised almost INR 7500 crore through the infra and the capital bond. Again there is a plan for INR 7500crore out of which INR 5000 crore is already raised at a fairly tight price. So these are all mix and match with the objective to optimize on the cost structure and we will continue the same strategy.

Mr. Joel Rebello: Sorry, you said that INR 7500 crore has been raised and more has been planned.

Mr. Debadatta Chand: No, in Q3, we raised INR 7500 crores consisting of INR 5000 crore infra and INR 2500 crore tier 2. And in Q4 also we have a similar plan for raising INR 7500 crore, out of which INR 5000 crore of Infra we have already raised.

Mr. Joel Rebello: Ok. Ok, Sir. All the best for the rest of the year.

Mr. Debadatta Chand: Thank you very much.

Moderator: The next question is from Abhijit Lele from Business Standard. Please unmute yourself and ask the question.

Mr. Abhijit Lele: My query is on the, with regard to the NII. It is quite low at 2.6. What can be the trajectory we can see in quarter 4? How the, your treasury income has also fallen quite substantially in the 4th quarter. In the 3rd quarter when we saw a fairly stable kind of an interest rate environment in the later part. So how is that going to work out? These are the 2 things.

Mr. Debadatta Chand: 2 things, NII growth has been 2.6% and more particularly, we track the NIM. The NIM on the margin side improved vis a vis the last quarter, NIM of 3.07%. It is what actually the guidance we have given to the market of 3.15% +/- 5bps and we are fairly confident to achieve that number. At the same time, we also said that our ROA is more than 1%. That is also something that we have done for the last 6 quarters and we are going to maintain that. So the profit matrix is actually, the NII growth is aligned with the entire industry if you have seen the other industry players doing on the NII front because clearly there is a cost pressure for all the banks and that's the element we need to factor in. At the same time, we are able to optimize on the profit that is INR 4500 crore which is a significant profit as compared to the earlier quarters also.

On the treasury income, you are right on that. Actually in the last quarter, there was a depreciation write back whereas we have provided this quarter. The interest rate scenario is fairly stable and the one reason for that is actually, earlier also we said, we do have a significant FRB book in our portfolio and the FRBs are valued based on the market price, the traded market price and there is a distinct change in terms of traded market price vis a vis December over September. That resulted to some additional depreciation and changing the delta, almost INR 500 crore sequentially between Q2 and Q3.

Mr. Abhijit Lele: Would the volatility be now behind us or there could be some…..

Mr. Debadatta Chand: The rate scenario is quite stable now and rather globally if you look at the positive statement coming in terms of FED cutting rates going forward in the next year, currently it is very stable. So the only positive thing we can look into would be lowering from, mean we are almost on a scenario of almost peaked out kind of a scenario I believe. So in that scenario obviously this is going to be a not recurring one, I believe.

Mr. Abhijit Lele: In regards to the deposits, CASA part, you have shown a sequential improvement. So should we see that the pressure or the stabilization is now through us? My query is that, now that you have entered the stability zone. Will there be further pressure downwards?

Mr. Debadatta Chand: It is, it is. Actually we have given a lot of focus with regard to the retail depositors, be it on the saving, on the business account, on the current account we have announced a host of schemes couple of days back. On the retail term deposit, there are 2 more products which are coming so we are one Bank trying to innovate segment customer, trying to customize our products based on the customer needs. The branches have been very clearly focused with regard to the retail deposit so I believe that the growth that we are showing is stabilized that we are thinking of optimizing in this quarter. Because normally for all banks, JFM is a very productive quarter and the business normally being higher as compared to the earlier quarters, so with that rather will improve those numbers and growth for Q4 as compared to Q3.

Mr. Abhijit Lele: Last query is on the, what is the update on the on-boarding of the mobile application? Where do we stand? Do we expect to resume that activity in quarter 4?

Mr. Debadatta Chand: I hope so. We have given the compliance as far as the regulator is concerned. The regulator is vouching on all those compliances and I hope that we can start resuming as early as possible and that's my hope.

Mr. AbhijIt Lele: Sir, on the personal loans, now that there was an increase in the risk weights of any unsecured loans. So what has been the effect in terms of percentage on the capital that you had to set aside?

Mr. Debadatta Chand: The capital impact on the Personal Loan is 17 bps. Actually, the overall impact that we have said is almost a 60 bps that includes the NBFC and Capital. But as far as Personal Loan much but prior to the regulatory announcement, we announced to the market to moderate vis-a-vis the earlier growth. Although, the base of the Bank is quite low. And if you look at the last quarter growth, Q3 over Q2, the sequential growth is 8%. Suppose I annualise that, then it comes to around my guidance level of 30%-35%. So, that can be factored in. The pricing, again, being slightly reset because of the impact there in. So, we are fairly balanced in terms of how do you structure the Personal Loan in terms of the impact on the risk weight. It's more of a risk based pricing in terms of taking care of the delinquency and also the risk weight factor and that is fairly comfortable at this point of time.

Mr. Abhijit Lele: Okay. And the last is on the capital side, out of that INR 7500 crores that you intend to raise in the Q4, INR 5000 crore you already invested in Infra Bond. So, balance would be the Capital Bond?

Mr. Debadatta Chand: No, INR 7500 crore is the total constituting Infra and the Capital. So, the Infra side we have raised in the last week and the Infra pricing is a very tight pricing in the current market scenario. And we intend to raise the balance of capital of INR 2500 crores maybe in near time.

Mr. Abhijit Lele: That is Tier 2 or Tier 1?

Mr. Debadatta Chand: Tier 2

Mr. Abhijit Lele: Okay, fine. I'm through with my queries. Thank you.

Mr. Debadatta Chand: Thank you very much

Moderator: The next question is from Siddhi Nayak of Reuters. Please, unmute yourself and ask the question.

Ms. Siddhi Nayak: Hi, Sir. Am I audible?

Mr. Debadatta Chand: Yes, Siddhi, you are audible. Please, go ahead.

Ms. Siddhi Nayak: One clarification I wanted Abhijit Sir's question. You said that you've given compliance as far as that mobile app thing is concerned. So, can we say that the report has been submitted to the RBI and the RBI is currently mulling on that?

Mr. Debadatta Chand: No, that report, actually, between the regulator and the regulated entity always there is communication and the communication is there absolutely and the compliance we have given and the compliance vouching is being processed. So, entirely it's a conversation between the regulated entity and the regulator at this point of time.

Ms. Siddhi Nayak: So, can you hope to on-board customers soon and the ban to be lifted soon?

Mr. Debadatta Chand: I hope so. I hope so. So, that is what my sense. I hope so.

Ms. Siddhi Nayak: Okay. Sir, my next question was on your Deposit side. If you could provide some number on the guidance for Deposits? What would that be? And even on the CASA front if you could throw some light on what the plans for the Bank are?

Mr. Debadatta Chand: Yeah, that's a fair question because would have seen the growth for the industry also so as the Bank has been lower in terms of the Deposit growth but then we said that we shed the high costs Bulk Deposit, if we included that, the growth could have been much higher. So, it would have been in excess of 10% as compared to 8.4% that we are talking about; maintaining the same level of Bulk Deposit not reducing that. So, going forward normally JFM we see a lot of traction in terms of Deposit do happen and we had given a guidance of 12%-14% on the Deposit growth considering the advanced growth will be 14%-16%. But now the advanced growth we are keeping at the same time, so naturally you'll be asking 'How do you raise resources?' As I said, last quarter we have raised INR 7500 crores through Bonds route. This quarter, again, we are going to have INR 7500 crore of Bond raising. So, that is again supplementing in terms of not going on a high costs deposit on a manner which would increase my cost. So, our normal guidance that we give as 12%-14% and we are hopeful of maintaining around 12%, which can be slightly lower or higher, as far as the Deposit growth to maintain my advances growth of 14%-16%.

Ms. Siddhi Nayak: Okay. And, Sir, last question continuing with the Deposit question only, there's how much scope for Deposit rates to rise from here?

Mr. Debadatta Chand: Yeah, that's a fair question. I would request to Mr. Tyagi also but I'll tell my thinking is that as far as cost of deposit has almost peaked out in that scenario and if you look at the portfolio of deposit, the average duration of portfolio is almost one year and the moment you increase the deposit rate it only goes for the incremental deposit to pay a higher cost. But over a period of one year now, because the one year has been lapsed, so most part of the deposit got replaced. So, further, I don't think there is going to be impact.

Anything, Tyagi Sahab, you want to supplement on this? You're on mute, Mr. Tyagi.

Mr. Lalit Tyagi: I'm so sorry. So, if you look at the system level, majority of quantum of the rate transmission has happened into the Deposit rate and Deposit rates on the retail and the bulk side both are at the elevated level. So, as far as going forward it will look like at that rates are peaked out a little bit here and there looking to the demand and supply. But in terms of the trajectory, we believe that from now on there should not be any major increase as far as the Deposit rates are concerned.

Mr. Debadatta Chand: See, another take on the liquidity like normally we have seen in the past also possibly post, I mean, this financial year the position of liquidity may improve because now inflation is under tight control. So, they what is sensed. So, we are making the pricing strategy and everything based on that kind of outlook.

Moderator: The next question is from Ben Jose of PTI. Please, unmute yourself and ask the question.

Mr. Ben Jose: Hello?

Mr. Debadatta Chand: Yes, Ben. Please, go ahead.

Mr. Ben Jose: Hi. Can you hear me?

Mr. Debadatta Chand: Yeah, I can hear you.

Mr. Ben Jose: This is regarding you said that your Personal Loans growth has come down from 68% to 60%, where do you see? And what is it since November 21 last year? RBI directions, what is the impact on the growth? And where do you see it by the end of the year? And what is your total book? What is the total book?

Mr. Debadatta Chand: Total book is around INR 25,000 crore. Okay, what is the Personal? Ian can you just supplement me in this?

Mr. Ben Jose: No-no, personal loan book. How big is it?

Mr. Debadatta Chand: Yeah, it is around, I believe, around INR 25,000 crore. And as far as the outlook, I said earlier prior to the regulatory action in November that we're going to moderate on Personal Loan and that was a strategy we outlined prior to the regulatory action on the Personal Loan. The Personal Loan post regulatory action, the impact on CRAR because of Personal Loan is only around 17 bps.

Actually, if you look at the pricing of Personal Loan, it's a risk based pricing, right. That do take care of the Capital impact and all the impacts. So, our base is quite low as compared to many other banks who are active on the Personal Loan segment. But at the same time we gave a guidance of operating within 30%-35% YoY and that we have done it for this quarter. The sequential growth is 8% for this quarter and if you annualise that it would be in that range. So, that guidance would continue and we would like to operate within 30%-35% growth in the Personal Loan segment.

Mr. Ben Jose: There are Credit Bureau reports that Personal Loans there is distress or there is delinquency happening in the Personal Loans fund. How good is the quality of the account?

Mr. Debadatta Chand: The quality is fairly good. Actually, a large percentage of our book is they are our own customers and we follow a very, what you can say, a strong scoring model to figure out their creditworthiness on this. So, I think, the credit cost on this is very fairly low.

Khurana Sahab, can you just give a number on that?

Mr. Ajay Khurana: The quality is of course, as MD Sir told, compared to the other unsecured loan outside because most of them are our own customers based on their cash inflow with us Personal Loan is granted to them or to the salaried employees. So, our NPA book is around 2.2%.

Mr. Ben Jose: 2.?

Mr. Debadatta Chand: 2.2%.

Mr. Ben Jose: Okay-okay. And after the diplomatic tie up with Canada, how good has been or bad has been the Education Loan for you? And how big is your education book?

Mr. Debadatta Chand: See, Education Loan, the growth is the same and the instance that you are referring is not significant because we don't have a large percentage in terms of the overseas book on that. So, that is going strong.

Mr. Ben Jose: Okay, but totally what's the book? What is the book? 2 of my nephews are your customers on Education Loan.

Mr. Debadatta Chand: Thank you. Thank you very much for that. Thank you. Thank you so much on that. So, the Education Loan book, I'll just update you.

Mr. Ian Desouza: It is INR 9393 crores; close to INR 9400 crores the book size.

Mr. Ben Jose: Okay-okay. And, Sir, one last question, after the November RBI regulation what has been the incremental capital cost on NBFCs? And how much you have passed on to your borrowers? And how big is your NBFC account book?

Mr. Debadatta Chand: So, the NBFC we already declared 1 lakh. I mean, that is there in the presentation but the impact is on two counts. One is with regard to the impact on the capital. That is almost 53 bps impact on the capital. And for the size of the entire book, there is a resetting exercise which is underway. So, we'll try to recover to the extent the risk appetite and do match it up and there's an upside because of that possible in this quarter.

Moderator: The next question is from Ram Kumar of Hindu Business Line. Please, ask your question. Ram Sir, please ask your question.

We move on to Sachin Kumar. Please unmute yourself and ask the question.

Mr. Sachin Kumar: Can you hear me? Hello?

Mr. Debadatta Chand: Yeah, we can hear you. Please, go ahead.

Mr. Sachin Kumar: Sir, can you give me some sense on this Recovery and Slippages? How has that been in this current quarter, I mean, in the last quarter? And what's your outlook going forward for in terms of recovery?

Mr. Debadatta Chand: Khurana Sahab, can you take it up?

Mr. Ajay Khurana: Yes. Total Recovery is close to INR 2800 crores, which includes the written off account also. And as far as Slippage is concerned, it is INR 2363 crores and going forward also, as we have, given guidance that Slippage is going to be less than 1% and Recovery whatever targets we have fixed those we are going to achieve.

Mr. Sachin Kumar: So, if we see the first three quarters, so, what is the total amount for Recovery? And what's your target for this current Fiscal for recoveries?

Mr. Ajay Khurana: INR 9000 crores so far we have recovered and the INR 12,000 crores is the total Recovery target.

Mr. Sachin Kumar: Right. And you also touched upon there's a bulk deposit, so what will be your going forward stand on this bulk deposit? So, will you be maintaining the same stance in the next quarter or so?

Mr. Debadatta Chand: No, we said that last quarter was a particular instance wherein we have to maintain margin and growth. So, it was a churn that we wanted to do to see the impact on the margin side and that we have done it. So, going forward, as I said that, we supported resources in terms of raising bonds now almost INR 15,000 crore these two quarter resources where I don't have to mobilize deposit for that, right so, INR 7500 crore last quarter and again INR 7500 crore this quarter. So, our stance is more with regard to optimizing the cost rather than saying that will de-grow. So, we have given advance guidance of 14-16% and to achieve that I need to have all this math right in terms of how do I again raise resources for that. So, the only guidance I can give you that our dependency on bulk, which is to be slightly higher in earlier quarters, the dependency won't be to that extent.

But how do I look at the terminal level of bulk deposit going forward? We entirely do based on overall scenario in the market and then optimize on the cost. The idea to reduce bulk was only optimizing on the cost because of specific to that quarter but the dependency would be definitely less. At the same time, we'll also try to see that we grow at a level which gives me a decent margin, maintaining margin, I can allow the growth to happen both on the Advance and also on the Deposit front.

Mr. Sachin Kumar: Sir, Bank of Baroda is amongst select few banks who have actually improved CASA ratio sequentially. So, what has worked in favour? I mean, how have you managed to do that? And do you see this trend continuing in the coming next few quarters?

Mr. Debadatta Chand: No, that's is the focus area that we have been discussing for the last couple of quarters 'How to again improve CASA?' I was highlighting earlier, a lot of initiatives we have taken on the Retail Deposit, whether it is a savings or the CASA, on the institutional side or a Term Deposit entirely focused in terms of mapping out the cost of Deposit for the Bank.

And if you say the sequential change, it is around 81 bps but then one may say that because the denominator reduced, so the ratio got improved and all that. But our normalized CASA, as what you can say, as a strategy we look at around 40% as a CASA that we need to maintain. So, within that strategy of maintaining 40 we'll try to see what best we can do. But, clearly, the focus is on the Retail Deposit. I do have 8000 branches and they are meant for the raising resources, low cost resources, for that. So, we'll try to again push this in terms of raising more of Retail Deposit and more of CASA and at the same time try to maintain the CASA ratio around 40%.

Mr. Sachin Kumar: Thank you so much, Sir.

Moderator: Sir, the next questions are from Ram Kumar from Hindu Business Line.

- Your cost to income ratio has increased quarter-on-quarter and year-on-year basis, what is your strategy to bring it down?
- How big is your corporate loan sanction book?
- And, thirdly, how much capital will you need to raise to absorb the impact of increase in risk weight on consumer loan and exposure to NBFC?

Thank you.

Mr. Debadatta Chand: See, Cost to income ratio, fairly you raised the right point, it is slightly elevated for this quarter for multiple reasons and the cost structure would have seen a similar trend for most of the bank. But as a strategy, clearly, we want to reduce the Cost to income ratio and that is what the strategy we do have.

One thing that I outlined earlier also, let me again target the same thing that I want to lower the Cost to income ratio by 2 count. One is to improve productivity per branch per employee and at the same time going for a massive process automation so that the cost goes down. So, these are all work-in-progress which can give me a dividend in a medium to long term and there we have a team now working on this and they clearly see a lowering on the Cost to income ratio.

The second aspect on the corporate book, we normally don't give a pipeline cases but our growth is, because if you look at the earlier quarters the corporate growth was almost 15%-16% and only this quarter with a deliberate purpose we reduced low cost advances and reduce the bulk deposit. So, in terms of the growth that you can see for corporate, I have fairly a robust growth in terms of growing at the range of 14%-15% on the Corporate Loan book and that we intend to do for this quarter because I'm maintaining my Advances guidance at the same level of 14%-16%.

Thirdly, you talked about the impact of the Consumer Loan. The overall impact, I mean, CRAR impact if you say with regard to everything vis-à-vis the last sequential, it is around 68% on the capital charge and that includes the risk weight on the NBFC and also on the Personal Loan. Personal Loan has been around 17 bps, I believe, and the other part is the NBFC book.

So, there is a bit of resetting that is going to happen or already happened in terms of both on the outstanding exposure and also on the incremental exposure. Entire NBFC book, there is a resetting exercise going on, some of them already we have done and consumer because it's a pricing that you decide to take, what you can say, margin impact or the CRAR impact, so both the exercise are on.

And if I look at the income for this quarter, there is an upside on both the accounts vis-à-vis we see but how much that would be compensating the capital impact that we'll see over a period of time and not immediately for this financial year.

Moderator: The last question from the evening is from Alekh Angre of Economic Times Prime. Please, ask your question.

Mr. Alekh Angre: Hi, am I audible?

Mr. Debadatta Chand: Yeah, please you are. Go ahead, you are audible.

Mr. Alekh Angre: So, yeah, so you spoke about the reprising of Deposit. Industry wise it's almost done and we will be seeing the earlier rate hike Deposits being passed on to consumers but tectonically there has been a shift in terms of savers, right. More and more money is going into Capital Markets, be it direct investment in stocks or even SIPs. SIP net inflow numbers have been strong. You as a Bank, what's the strategy in terms of because clearly savers are comparing interest whatever is offered by banks to the other financial instruments. So, as a Bank what's the strategy? And how do you plan to tackle it?

Mr. Debadatta Chand: Yeah, that's a very fair question in the current market scenario. Market scenario is at tight liquidity, no doubt about that, and savers choice has been either a Deposit or an alternate to Deposit, which you're talking about Capital Market. So, if I see my last two quarters we have announced some 11-12 different schemes and we also renamed one scheme as Systematic Deposit Plan (SDP Deposit).

So, with regard to a deposit scheme, we made it a Systematic Deposit Plan which is exactly a proxy for a SIP where somebody get a variable return. Here, somebody gets a fixed return that they should target those segments of the market where they will be comfortable getting a good return and put into a Deposit scheme.

So, all other schemes that we talked about like earlier I was highlighting the BRO Account, Parivar Account, NRI Account, Salary Account and the Current Accounts we have large number. This is precisely to address the issue that you are talking about. These are all innovation in terms of, again, segmenting customer, trying to understand their need, trying to make offers out of my charges and all those things so as to get the best return for the customer. They are all work in progress. We're seeing good traction on that and going forward, I believe, it would give a positive dividend as far as our strategy to segment, offer a differentiated product and get deposit out of it.

But you are fairly right, as a banking system we have alternate available where the returns are quite, again, because of the current market scenario there is a challenge in terms of savers money going through a banking system or for alternate what you can say the Capital Market. But that's a market scenario what we are trying to, again, look into our aspect of Deposit and how we can increase that.

Mr. Alekh Angre: Sir, 10,000 crores of Infra bonds you have you have raised in two quarters. I wanted to understand the economics of it because is it fair to compare say, you know, something like Infra bonds or affordable Housing bonds to Term Deposit whereas on these bonds you also get an exemption from CRR/SLR plus it goes to PSLC. So, between the CASA term and your bonds, what's the strategy and the economics of it?

Mr. Debadatta Chand: Tyagi Sahab, can you just respond then I'll comment at the last.

Mr. Lalit Tyagi: So, see, this is one of the market instruments which banks are tapping in recent times more frequently. The reason is that, as you said that there are exempt from CRR, that's one aspect. Another aspect is, there is a great demand in the market for these instruments and banks are also increasing their book on the Infra side, asset book. So, it is fairly balanced in terms of the ALM that we are having long term assets on one side and if they are funded from the long term liability that is also one attraction for the banks to tap the Infra Bond market.

And in terms of the investor appetite, we have seen the yields are also quite attractive from the bank's perspective. So, if I quote recently, we could raise the 10-year Infra Bond at 7.5%, which we quoted to the market also, and it was below our expectation. Even market was expecting slightly higher coupon on that. So, overall, we see it as one of the diversified liability instrument. And, I believe, as you said that in the question of Deposits, we feel that going forward banks will be tapping more and more such instruments to support the liabilities.

Mr. Alekh Angre: Okay. Would you give a thought for affordable housing bond, a retail issue of it and maybe some of the retail guys can also participate in? Is it allowed? Regulation, does it allow?

Mr. Lalit Tyagi: So, as of now it is on the private placement basis and taken by the institutional investors and large bucket investors.

Mr. Debadatta Chand: So, I only add with regard to affordable, that we're quite active in the segment. Like we do have a large percentage in terms of affordable finance. So, sourcing resources for that, we do have different types of liability structure in order to support this growth, right. This is one on the affordable side.

Just to supplement Tyagi Sahab on the yield, one of the purpose also to raise the Infra Bond is to statute duration profile of liability, right, to the extent that you do ALM mismatch and clearly identifying this as a resource and deploying these resources at a spread, which is again comfortable to me. So, these are clearly identified as far as we are concerned.

Mr. Alekh Angre: So, from a NIM point of view also it makes sense?

Mr. Debadatta Chand: Yeah-yeah, absolutely.

Mr. Alekh Angre: Sir, just a one bit. You know, money flowing into Capital Markets, I mean, what is your conversations with depositors and savers other than metro cities reveal? Is it only an urban phenomenon? What's really happening, if you could just? Then anecdotally we keep hearing people are getting interested but are you? As a banker what are your conversations?

Mr. Debadatta Chand: No, actually, see the growth in Deposit is also growing and around 8%-9%-10% is fairly a good growth, right. So, absolutely there is a preference for Capital Market, no doubt about it, but there are alternate options available. So, we don't see as any way and we try to, again, optimize our Deposit in that way. So, it's not we have no geographical idea of who are going to Capital Market. We know that but then we clearly see aspect like we introduce a scheme called SDP i.e. Systemic Deposit Plan and there the current is almost at a peak level of rate. So, somebody interested to get a fixed rate, high rate for a longer term this is what the deposit. Somebody wants a variable rate linked to Capital Market, he can go to SIP.

So, clearly, we're positioning to get segmented market and trying to optimize on our Deposit. But then this is the normal market scenario. Things would happen like people would have their own preference to put money, whether in Capital Market or banks deposit. That would continue and it is the option of the depositor rather than we can say but we'll try to mobilize as much as possible.

Moderator: That was the last question. Thank you everyone for joining us this evening. Have a good day.

Mr. Debadatta Chand: Thank you very much, all of you, for joining us today. And as I said that the change from a non-working day to a working day is because of all of you. Thank you very much. Thank you very much.

Mr. Ian Desouza: Thank you. Thank you so much. Take care.

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