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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 Meet and Media Conference held on 03.02.2023 for Q3 (FY2022-23) 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,

PRASHANT KAMAL AGARWAL Digitally signed by PRASHANT KAMAL AGARWAL Date: 2023.02.09 16:14:13 +05'30'

P K Agarwal
Company Secretary

Bank of Baroda Analyst Meet for Quarter ended 31st December, 2022

3rd February 2023

Participating members from the Management Team of the Bank

- *Mr. Sanjiv Chadha, Managing Director & CEO*
- *Mr. Ajay Kumar Khurana, Executive Director*
- *Mr. Debadatta Chand, Executive Director*
- *Mr. Joydeep Dutta Roy, Executive Director*
- *Mr. Lalit Tyagi, Executive Director*
- *Mr. Ian Desouza, Chief Financial Officer (CFO)*

Moderator: We have with us today, Mr. Sanjiv Chadha, the Managing Director and CEO of Bank of Baroda and he's joined by the Banks' EDs and the Banks' Chief Financial Officer. We will start with brief opening remarks by Mr. Chadha. We then have a brief presentation for you and followed by that by the Q&A session. Over to you, Sir.

Mr. Sanjiv Chadha: Thanks very much, Phiroza and a very warm welcome to all of you. A great pleasure to see you after a long time. I think it's been three years since we met in person, so thank you again for taking the trouble. Let me just begin by introducing my colleagues with many of whom you might be familiar. So, starting on my right we have Mr. Ajay Khurana, who looks after retail for us. To his right, we have Lalit who you might be seeing for the first time, so Lalit was heading our US operations and is now handling our international operations and also a lot of our platform functions including HR. To my left, Mr. Debadatta Chand who's handling Corporate and also Treasury for us. To his left, we have Joydeep Dutta Roy who looks after digital, IT, and also wealth and subsidiaries for us right and to his left you have somebody with whom you are most familiar, Ian Desouza, our Chief Financial Officer. Also, I'll just again make a small presentation, not take more than 10 minutes 15 minutes and then open up to questions, try to make sure that I cover enough ground so that some of the questions which we anticipate are addressed and then we can take it from there on.

Moderator: Yeah. Can we have the PPT please?

Mr. Sanjiv Chadha: So, thank you once again. We'll just start with the first slide. Yeah, so I think I just want to hark back again to the beginning of the year. So, we had started the year by saying that finally it might be possible this year for us to actually both grow our book and also to have the margins. The last few years were a challenge. The choice was either to grow or to retain your margins and this year you will find that we have delivered largely on both counts. If you look at loan growth, it continues to be robust at about 20% and the good news of course is that now this seems to be spread pretty evenly across segments. There is no segment which is not growing in double digits. The standout performance is of course in retail where organic retail growth is 30% where the slowest growing segment is home loans, which are now growing at nearly 20% and unsecured personal loans of course are growing much faster.

This is something which has positive implications for the composition of the retail portfolio and also for yields as we go ahead. Now, we have reached the stage where unsecured loans actually are contributing significantly even in terms of composition to the retail portfolio. They still are a relatively small increase for us and I believe this is something which has scope to grow at almost an equal pace for a few more years before the growth really moderates.

If you look at the right hand of the slide, you'll find that the disbursement growth is mostly significantly higher than the overall growth. So, I think that would again augur well for the sustainability of this growth in the future. What has worked well for us is that the gap that you see with most banks between deposit and loan growth is relatively small for us.

So, overall deposit growth is 17.5%, which is just a little bit short of the 20% in terms of loan growth and if you look at the domestic piece also, there again it is 14.5%, that has meant that the CD ratio for us continues to be moderate. In fact, the CD ratio now is not much higher as compared to what it was three years back, so which means there were apparent upper heads, the loan growth and deposit growth roughly stacks up and it means that it is possible for us to continue to grow for some time our loans at a pace significantly faster than our deposits.

So, because of the fact that we have been able to grow loans significantly faster and most of the growth has come from the retail segment where you have got good pricing upside margins continue to strengthen, we had guided last quarter that our margins were a bit overstated and they ought to be again about 3.17% on the adjusted basis. So, if you see that, then our margin improved by 20 basis points over the last quarter.

Now, this is because you find that the gap between yield on advances and cost of deposits is still there, about 20 basis point this quarter. It was about 40 basis points the previous quarter, it's about 20 basis points plus now and I would believe there might still be a quarter or so when we can still profit from the lag effect between the re-pricing of loans and deposits as we go forward.

In terms of profitability, you would find that the biggest jump has come in terms of net interest income, which is a logical corollary of the fact that our loan growth is about 20% and there is a margin improvement along with that. Fee income is a bit tepid because in terms of private sector capital investment and term loans that come on account of that, that is still not where it would be when the cycle is completely back and that should improve as that improves.

You would also see that there's a third column in the operating profit row and the profit after tax. There were some one offs which were there. The operating profit difference is largely because of certain security receipts from ARC's where the treatment recommended by Reserve Bank has changed and therefore provisions which were above the operating profit line have come below the line and therefore the increase in operating profit on adjusted base is about 37%. On the profit after tax, it is also on account of the fact that there were some one off tax provisions which were made, which meant that our effective taxation rate was a little high as per this quarter is concerned, but the good part is that if you look at the last line, it would seem to suggest that we should be able to sustain this improvement as we go ahead.

The nine-month profitability again demonstrates that what we have seen in this quarter is not necessarily again one off and we have seen a full nine months of significantly improved performance. All of this again the fact that you had profits to make sure that the balance sheet is strengthened is again reflected in the asset quality.

So, on the one hand of course the credit cost has come down substantially, much lower as compared to what we anticipated, this is because the corporate credit cycle is possibly in the best place possible. All NPA's are fully provisioned and also on account of the fact that there were enough profits to take care of any requirement that might have been there. So, I would believe that we are now at that stage where we can again look at the existing book and be reasonably reassured that there are no downsides there.

In terms of sustainability of this improvement, to my mind this is the slide that would give us reassurance. Now, for the last four quarters the SMA position continues to be very stable and improving. So, therefore, I think there's nothing, as of now on the horizon, which would suggest that there might be any serious issues with impairments or asset quality, as we go forward and the collection piece again is something which is now stabilized at a very high rate.

Because of the strong internal accruals, the Banks' capital position continues to be good. Normally, it is expected with 20% loan growth that there might be a requirement for external capital infusions, but the fact is this, that even with this loan growth, the internal accruals are so strong that we will end up with a capital adequacy ratio at the end of the year which is better than what it was at the beginning of the year.

Now, if we were also to suppose that there might be some moderation in loan growth next year and also that this kind of internal accruals should sustain or improve, I think the Bank is in a good position to also sustain its growth through internal accruals in the coming year too. So, as of now we do not believe that there may be a reason for us to approach the capital markets excepting of course for the fact that growth is much, much faster as compared to what we anticipate today.

Last couple of slides again we want to discuss again where do we stand vis-à-vis again peer banks. So, I think there's a cyclical upturn which has benefited most banks, but I think there are also some factors which are particular to Bank of Baroda.

Largely it stems from I think how we, yeah, can you please go back to the previous slide if you don't mind. Previous slide, yeah, so, largely again they stem again from the Banks' own position, so what you would see is that our physical build actually again has not expanded. So, the number of branches are much lower as compared to what they were three years back, number of employees are lower, but there's very robust growth that we have seen and this growth in some ways is understated because we had two years of very low growth. Now, that we are growing at 20% and let's assume that, that trend continues and also the physical build also is largely where it was, you will see that there is an expansion of margins because finally we have been able to really sunder what was the symbiotic link between costs and also in terms of revenues. So, I think we should see an expansion of margins on account of the fact that we probably would be able to continue costs better than peer banks.

Some of the impact in terms of what we are talking of is already visible. I mentioned that our deposit growth again is probably better than peers. So, if you take the average of the top nine banks which have declared results, our deposit growth is 3 percentage points higher, advances growth is also one percentage point higher. So, this should again translate into sustained outperformance.

Again, moving on to profitability, whichever measure you look at as compared to the same set of nine banks, private sector and public sector, we outperform competition by significant margin most importantly in terms of what I mentioned on the slide previous to the previous one, which in terms of costs, where the gap between the cost – the OpEx increase between us and peer banks is the widest. Our OpEx is increasing at half the rate right and as again this current growth that we have seen it sustains you will see it getting inflected in profit margins even more as we go forward.

Before I close, let me again address one question which I believe otherwise might come from multiple sources that is again our exposure to a large group, which again has been under discussion. So, I'll just put two or three factoids before you. I normally refrain again from talking in terms of specific accounts, but I believe you have a legitimate right to ask a question about our portfolio. So, I will talk about in the context of our portfolio. So, in the context of our portfolio, this particular group exposure does not figure among the top 15 by way of again exposure to groups as per LEF norms. Now, as you are aware LEF norms by the RBI take into account outstandings, they take into account non-fund-based limits, and they also take into account also undisbursed loans right. Based upon the LEF norms, the group does not figure in the top 15 large exposures of the Bank, that is factoid #1.

#2, as per the LEF framework, you can put out a certain percentage of your capital to a particular group. What we have put out is about 1/4th of what we can as per our capital right. So, that again would give some reassurance.

3rd, of the exposure that we have, 30% is either in joint venture with the public sector company or is backed by a guarantee of a public sector company. So, therefore I would want to again give you that comfort and reassurance that whatever you have seen in the previous slides by way of performance, by way of profit trajectory, by way of credit costs is likely to continue regardless of the circumstances that we see either in the context last few days or in the next few months. Thank you very much.

Moderator: Thank you, Sir. We are now open for questions. If you have a question please raise your hand and we will get our mic to you. If you can please limit your questions in the first instance to just one or two and we will come back to you if we have time. We also have a few people on zoom, so we'll take a few questions from here and then we'll go to zoom as well and we also have - also if you could just before you ask your question, if you could just briefly introduce yourself, thank you.

Mr. Ashok Ajmera: Thank you. I am Ashok Ajmera. So Sir, having said that, yeah you have given some clarification Sir, but especially in this kind of situation which are absolutely extraordinary situations most of the banks are giving little more information. If we can talk in the absolute terms and say like the way Punjab National Bank has given 7,000 crores of exposure, can you give some color on that?

Mr. Sanjiv Chadha: The Reserve Bank of India allows you to lend a certain percentage of tier 1 capital. Whatever is the maximum allowed by Reserve Bank it is 1/4 of that.

Mr. Ashok Ajmera: Yeah so 2.5%.

Mr. Sanjiv Chadha: Yeah, see I have studied history in college, my math's is weak. So, please don't ask more figures.

Mr. Ashok Ajmera: Sir, if you could talk more in absolute terms of the exposure & outstanding to the particular group and how confident you are going forward.

Mr. Sanjiv Chadha: So, I think what factors here is the beauty of the LEF framework and we must complement the Reserve Bank in terms of how it has been devised that this takes care of everything that you're asking right. What is the current exposure? What is the non-fund-based exposure? What are the undisbursed limits? All of these are factored in and on that basis again the Reserve Bank of India asks you again to limit your exposure. So, all these things are there. I think the rest is very frankly a matter of detail.

I think what is of interest to you and everybody else is that could there be any future impact on the Bank? Because ultimately the interaction that is going on between us is about the Bank. So, you have to understand what effect it will have on the Bank. So, what I can assure you is that from the figures that I have given you, they should give sufficient reassurance that the kind of trajectory that you have seen from the Bank in terms of improved performance that will be sustained, there's nothing in terms of this exposure that can have any significant impact on that.

Mr. Ashok Ajmera: Okay. Sir, how much percentage of your total credit is the exposure into this group?

Mr. Sanjiv Chadha: How much? See again I will say, ultimately

Mr. Ashok Ajmera: Alright, alright, I give a pass to it. Sir, thank you. Sir, if you look at your composition of the credit book now the recent latest figures on the composition of the book is changing with 43% in corporate and 57% in RAM, do you see 60/40 mix going forward what is your outlook on the corporate book?

Mr. Sanjiv Chadha: Yeah. I think it's a very fair point and we have been conscious that while it will be - it's a very good time to be a corporate bank, but corporate banking does again experience cycles and when those cycles are there, the impact on the Bank is very large. So, therefore, a granular portfolio is something which is to the benefit of the Bank. To my mind if we progress towards a 60:40 proportion that might be a good place to be in.

We have been guiding that whatever A - our growth should be in line with industry or better. B - of this growth, we would want our retail to grow at 1.5X, so which means that if we want our growth to be at 15%, retail should grow at 22% and corporate should be 0.7X, so that while you take full advantage of the opportunities in corporate, at the same time you are able to progressively achieve a change in the portfolio which would mean that the kind of return that we are seeing are sustainable.

Mr. Ashok Ajmera: Sir, one point on recovery and another one on treasury, just small two questions. On the recovery front, I think we have slowed down in the quarter, if you can elaborate more

Mr. Ajay K. Khurana: Yes. Actually as far as run rate is concerned of recovery, it is almost the same, in fact it is little bit improved. But there was one case in our international book, which got upgraded and with some recovery that is why we can see the gap between the last quarter and this quarter, otherwise our run rate is improving month-on-month.

Mr. Ashok Ajmera: Sir, anything on NARCL front, how many accounts? What is the amount gross or the net or the realization and looking forward in the next quarter?

Mr. Ajay K. Khurana: No, NARCL see, so far, whatever they have identified and they have gone, only one account was there and that too we don't have that, but in other accounts the progress as of now seems like everything will be moved in this quarter.

Mr. Ashok Ajmera: Can you give some color on movement on treasury income**?**

Mr. Debadatta Chand: There are 2-3 aspects to it. One is with regard to the interest income on treasury right. So, if you look at the book increase quarter-to-quarter and year-to-year, my income growth has been higher than the book increase. So, in a rising interest scenario typically this is the best-case scenario. I think I can generate more income than what I put money in terms of investment. So, that has seen a significant increase in terms of the interest income and investment.

The second aspect is with regard to the valuations scale. So, as far as on the valuation side is concerned on the overall book rather there is a write back, but there was one investment where there is a treatment in terms of pushing that from above the line to below the line. So, because of this, that is finally released and the treasury income is getting influenced by that, so otherwise we are placed perfectly the book is doing extremely well and they are quite good in terms of increasing income at the same time containing MTM impact going forward.

With regard to future outlook, what we see again today is that globally, also here in India if you take OIS as proxy, possibly the levels are elevated. Now, it is picking out in that way and at the same time there is a reversal also that people are looking at because 5 year OIS is less than 3% by 6 months OIS right and the US also the call got inverted. So, there maybe some kind of reversal happening possibly at the end of this financial year. So, in that progresses the book looks quite good on the MTM impact is also quite manageable.

Mr. Ashok Ajmera: What is the modified duration?

Mr. Debadatta Chand: 1.79.

Moderator: Thanks, Sir. We will just take a few online questions, Sneha. Hello? Mahrukh, I request you to unmute yourself and ask the question. Mahrukh Adajania, please unmute yourself and ask the question. Go to the next question, Sneha.

Ms. Mahrukh Adajania: Hello. Can you hear me?

Moderator: Yes, Mahrukh.

Ms. Mahrukh Adajania: Yeah, hi. So, my first question is Sir when you talk about capital Tier 1, it's the standalone capital right?

Moderator: Is it standalone capital?

Ms. Mahrukh Adajania: Hello?

Moderator: Mahrukh, you are requested to speak your question.

Ms. Mahrukh Adajania: Yes. When you are talking about exposure limits, you're talking about standalone capital, right?

Mr. Sanjiv Chadha: We are talking in terms of how the Reserve Bank of India defined that right. So, that would be in terms of a Tier one capital.

Ms. Mahrukh Adajania: Tier 1 and standalone capital?

Mr. Sanjiv Chadha: Standalone capital. Okay sorry, pardon me, yes.

Ms. Mahrukh Adajania: Okay. Thank you.

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

Mr. Adarsh: Yeah. Sir, I'm Adarsh from CLSA. So, you adequately answered, so the 25% of what was allowed under LEF takes care of undisbursed limits, non-fund exposure, overseas exposure as well, is that a correct clarification Sir?

Mr. Sanjiv Chadha: That's correct.

Mr. Adarsh: Okay and Sir one more thing just wanted to check right, one is about Adani being a group and lending to a particular group right, I just wanted to understand there are various related parties some SPVs around related parties, just wanted to check if you have lend to any of them that would be part of this exposure, if at all?

Mr. Sanjiv Chadha: So, I think I mentioned to you again that 30% of the exposure is by way of joint ventures again along with the group right also some which are guaranteed, so all possible exposures which can be clubbed in books have been taken care of.

Mr. Adarsh: Perfect Sir and I just wanted to understand now the second question was on margins. The sector has seen a very strong improvement in margins. Next year obviously deposits will catch up, it's a little bit of a fight for gathering deposits. So, with our loan mix improvement assuming some normalization in credit growth, what will be a fair sense of a sustainable margin for the Bank and just to be a little bit on the conservative side?

Mr. Sanjiv Chadha: So, I think where we are now, I think seems to be a sustainable level. As you said that there is some benefit that you have received this year from the fact that there is a lag effect between the re-pricing of loans and deposits that is already diminishing. I mentioned in my opening remarks that was 40 basis point difference was there, now that's come down to 20 basis point difference, that will also vanish over a period of time, but I think that when it comes to our book, there are some positives that should continue to protect us.

Now, one is as we discussed in the beginning, the changing composition of the book right. The fact that retail loans are expanding proportion and retail loans actually are benefiting from the change in interest rates very substantially that is going to be till such time that we actually go back into another cycle that might be some time off. Within that the composition I think is again something which is important. So, you see that unsecured personal loans now are a very significant proportion of the retail book. It was almost nothing, now it already might be 15% to 20% odd right. So, our total unsecured personal loans are about 17,000 crore plus probably or so, I think that is and there's scope for this to improve. So, I think the upside that you will get in terms of margins from the rising proportion of retail loans A and within retail loans rising proportion of unsecured loans, I think should help in margins as we move ahead.

Third, in terms of the re-pricing of the corporate portfolio that is still in process. It is still in process in two ways. One is loans which are benchmark to one-year MCLR right. Over a one-year period, they get re-priced. So, that is improvement that will continue for some time. The second part is that still again, you'll find that a lot most investments are coming really from the largest groups who have great pricing power. So, you're not still fully able to price again the new rates when it comes to lending to the best corporates. This of course augurs very well for the quality of credit, but in terms of the benefit of rates I think it will continue in the corporate segment in the next year.

Mr. Adarsh: Got it, Sir and when you say sustainable margins, you're referring to the nine-month number?

Mr. Sanjiv Chadha: I'm referring to the nine-month number. This is not very different from the quarterly number, so I would venture to say the quarterly number also.

Mr. Adarsh: Perfect, Sir. This is super helpful and thanks for the clarification on the group. Thank you, Sir.

Moderator: The next question is from Kunal Shah. Please unmute yourself and ask the question.

Mr. Kunal Shah: Yeah. Hi Sir. This is Kunal Shah. So, firstly when we look at in terms of the overall corporate trade group, a significant part of it almost like 2/3rd of it is coming from lending to NBFC So, are these a short tenure, long tenure, and we have given some qualitative aspects in respect to NBFC, but do we expect the run down also to come through.

Mr. Sanjiv Chadha: So, I think what you're probably asking, I think your voice was a bit distorted. So, let me just repeat what I've understood. I think what you are saying is that how sustainable the corporate credit growth might be because there might be some short-term loans which again might actually run off right? I think that's what I understood.

So, to my mind actually we are and we have tried to be fairly strategic about it right. We are conscious that liquidity is still shrinking, pricing power is likely to move in favor of banks as we move forward, therefore where you are getting the kind of pricing which you believe is very fair regardless of where you are in the liquidity cycle that would be something where you might want to make commitments which are longer term. Where you believe that still pricing power is not fully with you right and with certain sets of borrowers that will be the case, you would want to make sure that, that exposure again is capable of being re-priced as you move ahead in this cycle. So, there will be some short-term exposures, but we see it again more as strategic intent to fully profit from the interest rate cycle.

Mr. Kunal Shah: Sure, and given the environment how are we seeing the pricing on the corporate side, is it like the competitive pressure has eased up or it is still equally competitive say with the rating profile which we are doing on NBFC side?

Mr. Sanjiv Chadha: So, every quarter is better than the last quarter.

Mr. Kunal Shah: Okay. Got that and secondly when I look at it in terms of the retail term deposits in fact that's down on quarter-on-quarter basis, so again what would be our strategy in terms of trying to - I think major part of the deposit growth has come by building up the bulk deposits over here, so what would be the strategy in terms of mobilizing the retail?

Mr. Sanjiv Chadha: So, ultimately you want to manage your costs to make sure again that you maximize this time period where you are actually getting some kicker from again the pricing differential and also you would want to protect yourself from the possibility that the present spike in rates may not be a permanent increase in rates. Therefore, if you look at what is the published highest rate of the Bank right, which you might see on the Billboard when you drive through Mumbai, it is 399 days 7.8% to our senior citizens because we believe that we can be fairly sure that for next 12 to 15 months rates might be where they are, but there may be a possibility just when we talk of again the Reserve Bank of India possibly reappraising rates maybe a year from now, there could be a possibility that retail deposit rates also the current again trend might again reverse or get stabilized.

So, therefore, you find that growth is coming A - from this deposit scheme that we have talked of. B - It is coming again from wholesale deposit, which also coincidentally are a maximum of one year right. So, what we are trying to make sure again is that we do not commit the Bank to an interest rate cycle about which we are not confident today and as we move forward, there may be again enough confidence for us to broaden the time segments where we believe we have fair visibility of again stable rates. If you again go back to two or three years back, most of our growth again came from long term deposits three years, five years because we believed that was a good time to lock into longer term rates. So, effectively this works pretty much in a deliberate manner to make sure that you A - take into account the uncertainties of the future and B you also make commitments to the extent that you have visibility.

Mr. Kunal Shah: Sure. Thanks. Yeah, that's very helpful.

Moderator: Thank you, Sir. We'll take the question here from the gentleman.

Mr. Chandani: At outset, great transformation since last five years and very, very successfully and you are being benchmarked among the best PSUs like Indian Bank, Canara Bank, PNB, and among the best performances to date, hats off to you and your whole team. Now, a couple of very specific very, very important questions. We have seen in the last couple of day's major development particularly the Finance Minister speech on giving a major biggest impetus to infrastructure. It is being titled as CapEx budget and the largest boost by government spending 4.9% of the GDP. Here a bigger push is required together you know private public sector which has been mentioned, so how do we see in this Bank the push to infra lending and would it be among the whole time highest growth particularly in FY24 because that is being addressed a pre-election because it has to work together and how do we see the risk management framework because infrastructure is we have to take long-term needs, short-term needs - short-term in terms of last mile funding the Finance Minister talked about foreclosure of over 100 projects and also long-term sustainable development which takes about you know 15 to 25 years and the risk management framework looking at the asset liability mismatch also because of the period, of course one year could be a walkthrough and risk assessment in terms of cash flows and business groups and we have to address this, it gives us actually a tremendous opportunity. How do we look at it?

#2, is the boost to savings which has come particularly in the last two days, the new default regime, the new regime become the default, so after a long time the banks have got what they wanted, level playing field. So, these 80C and all suppose there's are not discouraged, Finance Minister talked about 35,000 crores a boost savings and do we see a big impetus to deposit growth because of that. It's an opportunity you have to strike from day one, how we see deposits growing particularly post new default regime of income tax, it gives us a great opportunity.

#3, is particularly we talked about a few quantitative indicators like return on equity, how do we see because we are looking at the peer banks here of course SBI results also I think you will be seeing closely that was missed out in the industry versus BOB and the other banks, could we achieve ROE of 20% soon and we see a lag in the results, you have given very good new growth and operating profit growth on your lending also, but the fee income is lagging behind normally it goes hand to hand, so were there any particular issues and how do we intend to correct it in this coming year and what we are looking at it in this particular year?

Mr. Debadatta Chand: The first aspect you talked about the CapEx led budget and our role therein, so if you look at the infrastructure here, our growth in terms of the industry growth has been the highest right and particularly two sectors doing extremely well; one is the power sector and secondly the road sector right and going forward also the kind of budget that we have where there is a substantial push for infra and we as a Bank typically move with the economy right, so in that way the more the growth on the infra side, the Bank would be again growing on those sectors and the book is quite long and its outlook is also quite long in infrastructure right.

On the second aspect that we talked about in regard to on the retail segment, I mean on the money be available in the masses and whether that will lead to a deposit growth, it can lead to, yes it can lead to a deposit growth or it can be consumption led which is good for my normal loans, all my retail loans and all. So, overall, we are quite positive both in terms of the outlook of the budget and that has the impact on the economy at the same time specific to two points like infra, yes, we are going to be long. With regard to the retail deposit, yes, it is going to supplement the retail deposit. Similarly, also the retail advances also because that would conventionally lead to create more demand at the lower level and that would also be good for my book in that way. I hope I answered all, you know, because it was long question in that way.

Mr. Chandani: Yeah. One very important thing on the deposit side, in the last couple of weeks we have seen a major private bank has come out with a repo linked product where they are giving interest rate of 8.3% and it is a fantastic repo linked product and that attract a certain class of depositors, so how do you look at such products and these are very innovative and this is what the market wants particularly in terms volatility in interest rate worldwide, which has become the norm actually now post COVID and are we also looking at such a product, what is the interest rate we will offer for any category and what you feel could be the market size of such repo linked products totally?

Mr. Debadatta Chand: See it is a broader industry level issue because you are talking about a floating rate deposit as compared to a floating rate advances right, so there would be a market for that. Earlier these banks used to offer a MIBOR linked product also, but then these are more sort of product with the institution than the retail that is what our earlier experience is. So, we will just map it out and if there is a requirement we'll have a look on that, but currently because product per say, but there is a floating like, our deposits are typically up to one year right, so it gets reset at the end of one year. So, the requirement of resetting the liquidity everything would be mapped out and we need to see that market developing although on the loan side, these are all floating rate, deposit side should be floating rate deposit, but then you need to see the market on that.

Mr. Chandani: Thank you. Wishing you all the best.

Moderator: Thank you. We have one question I think at the back.

Mr. Samir: Yeah. Thanks for the opportunity. Sameer this side, Mr. Desouza can you just explain the treatment of provision prescribed by RBI for SR.

Mr. Ian Desouza: Yeah. So, there was a recent circular of RBI that required security receipts particularly above a certain tenor to be provided as loss assets. So, we are already carrying provision for the security receipts, but they were being held as part of the revaluation provisions, which we actually reflect above the line. So, in this quarter we reversed those provisions and we provided for them below the line in provision for nonperforming investments. In addition, there was a one-off investment for which we took provision, so the net of the two is what you see there and on P&L only the impact is about 632 crores, because one is a reclassification.

Mr. Samir: Sure, and Sir secondly on the personal loans book as MD sir said it will continue to grow, can you shed some light on the composition of this segment.

Mr. Sanjiv Chadha: So, currently the entire book almost entire book is existing bank customers right. We are considering and that we should look at now that we have some comfort with the product that we might look at new to bank customers for the simple reason that what is your existing customer right? A customer for whom you have data, which you can analyze and, on that basis, you can take a decision. Now that distinction in terms of data availability is potentially shrinking. Once you have comfort and confidence that you have a similar quality data available for a non-customer, you might want to diversify that portfolio, but for the moment nearly 100% of the portfolio is of existing bank customers who have accounts with us and then you can analyze those accounts and then make them offers in terms of the kind of exposure you can take on them and also at what kind of rate. I think this is something which could grow again for some more time at a fast pace because even for us, I think the current book might be given the size of the Bank probably fourth of what is the potential size if you would look at peers, so that's why there's some runway there.

Moderator: Thank you. We'll take a couple of questions from the online audience please. Thank you, Sir. Saurabh Kumar, I request you to please unmute yourself and ask the question.

Mr. Saurabh Kumar: Thank you, Sir. Sir, two questions. One is on this large group, has your team been able to do any credit assessment over the last week and Sir could you share your thoughts as to what is your view of the credit of this group and any other latest assessment that you've been able to do? Second is, what is the total pool of restructured assets and the provision you carry now on the same? The third is on the OpEx, is there any provision on wage revision that you have done? Thank you.

Mr. Sanjiv Chadha: So, we'll go in the wage revision, yes, we have made the provision which has been required of us, with effect from 1st November right. In terms of the large group you mentioned, I think as I mentioned that for all large group exposures, we try to make sure that it is as diversified as possible. In this case also this would be spread over a number of companies maybe a dozen of them. Also, I mentioned to you again that a significant proportion of that is in joint ventures, also I think there is nothing at all which would seem to suggest that any operating company, we should have any kind of issues. As I mentioned, we are the most comfortable time in terms of the corporate credit cycle. The environment is very comfortable.

Third in terms of where the Bank stands, I think in terms of the corporate credit cycle, I don't think there's anything for us to worry about. I would only want to reassure that both in terms of this particular exposure and also in terms of the corporate book in general, we are likely to continue to see the improvement that we have seen in terms of lower slippages, lower credit costs, and therefore more and more of the operating profit getting reflected to the Banks bottom line.

Moderator: Thank you, Sir. The next question is from Jay Mundra. Please unmute yourself and ask the question.

Mr. Jay Mundra: Yeah. Hi Sir. Good evening. Sir, firstly on this large group exposure again, if you can sort of specifically mention the exposure through bonds right, so what you have mentioned is the total exposure. A - Could there be significant difference between exposure and outstanding as of third quarter or later and you know what could be the bond exposure, could it be like negligible bond exposure or there could be still some sizable bond exposure?

Mr. Sanjiv Chadha: So, again I think we are treading into territory which I fear to tread upon right because at the end of the day we'll be getting into specifics. What I would want to again say is that look at the end of the day, we are here to analyze the possible impact of this or any other development on the Bank, right. I don't think there's anything which can significantly alter the trajectory we have seen of the Bank and all the questions that you asked, there is nothing in any potential answers which would give you any discomfort, let me put it this way.

Mr. Jay Mundra: Sure, understood Sir. Secondly, I think CFO Sir mentioned that you know this NPI and the MTM reversal in the other income if you can quantify you know the nature of this NPI, I mean which was one off you know, which was the usual NPI and the rest would be security receipts and what is the - and do we now and what is the PCR on security receipts now?

Mr. Sanjiv Chadha: Yeah. So, first let me just - I think first refer to - I think they were a question that you asked from restructured loans right, I think which I omitted to answer and then we'll pass it along to the CFO.

Mr. Ajay K. Khurana: Yeah, restructured, I think previously there was a question. Total book is 16,700 crores and then provision in that is 2000 crores?

Mr. Ian Desouza: Yeah. So, the so the provision for the NPI that we took incrementally this quarter is 632 crores.

Mr. Jay Mundra: That is the usual non-performing investment not the security receipts, right?

Mr. Ian Desouza: No, no, this is for the investment. The security receipt reclassification was 680 crores.

Mr. Jay Mundra: And what is the PCR now on security receipt, Sir?

Mr. Debadatta Chand: It's 100%.

Mr. Jay Mundra: Sure. 100%, right?

Mr. Ian Desouza: Right.

Mr. Jay Mundra: Yeah. Okay and last question Sir, if you can share the loan book by benchmark, I mean MCLR, base rate, sorry, MCLR, EBLR, fixed etc.?

Mr. Ian Desouza: Yeah. So, the MCLR is almost 50%. In terms of EBLR, it's around 30%, and we have a very small proportion of 6%-7% fixed rate. The remaining is floating rate but benchmark to rates like T-bill and etc.

Mr. Jay Mundra: Sure. Thank you and all the best, Sir.

Mr. Ian Desouza: Thank you.

Moderator: Thank you. Do you have any questions here? If you can give the mic.

Mr. Nitin Agarwal: Ian, while you indicated that we are not having a very clear view on the rate cycle which is why we are raising bulk deposits, but given that the liquidity scenario is tightening and there is going to be competition in terms of deposit growth, is there any threshold that you are looking at for growth of bulk deposits?.

Mr. Sanjiv Chadha: So, I think this is what you normally see right. Whenever interest rates go down, the first thing that you pay off is your bulk deposits and that's what you would have seen also if you were to analyze our books last two-three years that is what you might have seen and again as they move up, this is possibly a way of ensuring that your marginal rate in what you pay is a little different from what you might be paying on the portfolio right, it makes sense to do that. Now, as again that difference between the marginal rate and the portfolio rate narrows, it probably will make a lot more sense to actually start focusing on the other part also. So, I would believe we might reach that stage sometime in the coming financial year.

Mr. Nitin Agarwal: Right Secondly, Sir again on the large exposure, so not looking for any data point or as such, but you think that there can be any re-financing risk, which can come through and the risk will eventually devolve onto banks because a large part of the exposure is outside the banking loans, it's through bonds and the other ways, so that doesn't get renewed, so can that like eventually devolve into Bank, do you think that is a possibility of that?

Mr. Sanjiv Chadha: So, look again at the end of the day we can only look at our own books right given where we are in terms of point in time. To comment anything beyond that, I think it's just possibly not - again it's not feasible. When you look at our own books, I would only say that look our books are not related to anything which has changed over the last few days. We lend on the basis of book value. There's a leverage ratio that you accept. There is certain cash flow that you accept to make a credit decision, that leverage ratio has not changed. The equity that we have assumed again that equity value has not changed by a single paisa. So, therefore, as of now I would believe that there should be very little reason, also whatever independent commentary that we have again heard, none of it would suggest that any of these things should really become a problem. So, I think we are where there's a lot of noise which is there that noise is something that impacts certain parts of the financial sector more, certain parts less. I would believe that structurally given the nature of the issue, banks are likely to be the least impacted at least we are very, very comfortable with our own portfolio.

Mr. Nitin Agarwal: Sure, Sir. Sir, lastly on the, while you talked about the wage provisions of the Bank, has the Bank started making, have you also worked out the linked pension liability and what are the plans to provide for that?

Mr. Sanjiv Chadha: Ian.

Mr. Ian Desouza: Yeah. You're talking about the family pension liability or about the wage arrears?

Mr. Nitin Agarwal: The pension in respect to the wage hike, potential wage hike?

Mr. Ian Desouza: So, as of now we have started taking provisions for the estimated wage hike. We will in the due course look at the pension also - the possible pension.

Mr. Nitin Agarwal: Okay, sure. Thanks, Sir. Thanks.

Moderator: Thank you. We will take a last couple of questions. If we have anybody here, otherwise, we will go to online? Okay, I think we can ask a couple of online participants. Harshwardhan, I request you to please unmute yourself and ask the question.

Mr. Harshwardhan: Hi, Sir. Sir, regarding the large group exposure that we were talking about just want to confirm that this includes an investment book in the domestic and international entities, right?

Mr. Sanjiv Chadha: Confirmed.

Mr. Harshwardhan: Sure, sure. Thanks a lot Sir. That's all.

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

Mr. Rakesh Kumar: Hi. Am I audible Sir?

Moderator: Yes, you are.

Mr. Rakesh Kumar: Yeah. Thank you. Thank you, Sir. Sir, just one question with respect to loans proportion on MCLR, so have we increased the proportion on MCLR or in coming quarter or so are we further going to increase the MCLR proportion, to enhance the margin?

Mr. Debadatta Chand: Yeah. If you look at the composition means prior to that there was a bigger component in terms of external linked benchmark under the corporate like T-Bill linked or the Gsec linked, so now the shifting is happening to MCLR, so going forward the component would definitely go up.

Mr. Rakesh Kumar: Sir, just a related thought, would the regulator wish to you know discontinue the MCLR and is there a possibility that you know the corporate loans also being benchmarks to you know some external benchmark is that a possibility in the near future?

Mr. Debadatta Chand: No, we have no idea on that. Currently, the regime is MCLR, so that is continuing. So, absolutely no idea on that, right.

Mr. Rakesh Kumar: Okay. Thank you, Sir.

Mr. Sanjiv Chadha: So, even as Chand saab said, the choice is available to the borrower right and what is the benchmark they might choose. So, even today the choice is there and ultimately the borrowers will determine what banks do.

Mr. Rakesh Kumar: No, but like Sir, like in the case of you know floating rate loans in the retail and MSME, we are mandated to give loans on EBLR, so if there is a similar kind of you know guideline coming from the regulator, then we don't have any option?

Mr. Sanjiv Chadha: True.

Mr. Debadatta Chand: As per the regulatory guidance, we have to act on that. So, as of today we have no idea.

Mr. Rakesh Kumar: Got it. Got it. So, because you know like maybe after some time, not now, we will you know we will stabilize the interest rate and then we will set into the declining rate scenario, and MCLR will help us you know in that scenario, but if there's a change in the regulatory guideline then situation can be different.

Mr. Debadatta Chand: You're right, absolutely you're right on that.

Mr. Rakesh Kumar: Thank you, Sir. Thank you.

Moderator: The last question is from Adarsh. Please unmute yourself and ask the question. Adarsh, you're requested to unmute yourself and ask the question.

Mr. Sanjiv Chadha: We have somebody here, otherwise we could ask

Moderator: If you have the last question, please unmute yourself and ask the question. Okay, we will just take one last question from you, Sneha and then we'll close. Thanks.

Participant: Hi, Sir. Thanks for the opportunity. Sir, just one question, Sir as we are seeing that 4Q because they're kind of the QQ margin expansion that we are seeing probably there is another quarter where some bit of margin expansion, but FY24, where your cost of funds will catch up, can we say like an FY24 margin would be closer to the average of the full year of FY23 because of the product mix improvement towards unsecured and some bit of retail share improvement can drive that, but the margins for a full year for FY24 would be closer to the average of what we are able to deliver on FY23?

Mr. Sanjiv Chadha: So, I think really, it's getting into speculation. I can only say that we have tried to exercise discipline even when the environment was unfavorable to make sure that we don't compromise on margins right. So, now that when the environment is more favorable, pricing power has finally returned to the banks in some measure after three years. I think particularly in the corporate book where we - which is nearly 45% of the book. I think there is scope for some expansion and margins there that will flow on account of two reasons A - is because as was mentioned in the previous question, there is a normal cyclical play out of the MCLR which will continue to happen. #2, as I mentioned there are still large groups where again which have great pricing power, great bargaining power, I think to some extent there's still a bit of a regress of balance which is likely. So, I think we remain fairly confident that the improvement in margins that we have seen should continue, certainly where we are maybe some scope for improvement as we go ahead.

Participant: Yeah. Sure, thanks.

Moderator: I'd like to now invite, Mr. Ian Desouza to please give the vote of thanks.

Mr. Ian Desouza: So, good evening everyone thank you all, for making it to our first physical event in over three years. It's a real pleasure to see all of you here and for all of you who participated online, thank you as well. If there are any further questions due to paucity of time, we couldn't address them, please feel free to reach out to me and my team. We are happy to interact with you offline. Thank you so much.

Moderator: Thank you.

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Bank of Baroda Media Conference for Quarter ended 31st December, 2022

3rd February 2023

Participating members from the Management Team of the Bank

- *Mr. Sanjiv Chadha, Managing Director & CEO*
- *Mr. Ajay Kumar Khurana, Executive Director*
- *Mr. Debadatta Chand, Executive Director*
- *Mr. Joydeep Dutta Roy, Executive Director*
- *Mr. Lalit Tyagi, Executive Director*
- *Mr. Ian Desouza, Chief Financial Officer (CFO)*

Moderator: Welcome to the media conference of Bank of Baroda's financial results for the quarter ended 31st December, 2022. Thank you for joining us. We have with us today Mr. Sanjiv Chadha – Managing Director & CEO of Bank of Baroda, and he's joined by the Banks' Executive Directors and the Banks' Chief Financial Officer. We'll start with a brief presentation. So Mr. Chadha will have a small presentation that he'll make followed by the media Q&A. Over to you sir.

Mr. Sanjiv Chadha: Thank you very much Phiroza. Very warm welcome to all of you on behalf of the Bank. It's been 3 years I think since we actually have got together here in physical form. So, we're very grateful to you that you have been able to come over.

Let me begin by introducing my colleagues on the dais, to my right I'll begin, Mr. Ajay Khurana who looks after our Retail business, to his right you have Mr. Lalit Tyagi, who you'd probably be meeting for the first time. He has taken over as Executive Director and he is in charge of International Operations and a lot of platform functions of the Bank, including Human Resources, Risk, Compliance, etc. To my left is Mr. Debadatta Chand – Executive Director who is in charge of Corporate Banking and our Treasury Operations and to his left we have Mr. Joydeep Dutta Roy who is looking after Digital, IT and the subsidiaries of the Bank. And to his left of course, is somebody who you are very familiar with, Mr. Ian Desouza – Chief Financial Officer.

Moderator: Sir, before we go to the PPT, the photographers just want one group photograph. If you'll can please stand.

If you could keep the PPT ready please?

Mr. Sanjiv Chadha: So, we'll try to keep it brief so that there's enough time for questions. As usual, we have about 8-10 slides which capture the key highlights for the Bank. In any case, you'll have a copy of the Bank's results and also the press release which captures things in more detail. Just by way of introduction, I think for us if you look at the Bank's journey for the last 2-3 years, I think the year before last, the challenge was that if you really had to grow, you had to compromise margins and we chose margins over growth. But this year, at the beginning of the year, we had guided that finally we are at that inflection point where it is possible for the Bank to grow aggressively while keeping margins intact, or possibly improving margins also. So, I think what you will see in the results actually is what we thought was a fair prognosis that the Bank can grow aggressively and also again can make sure that we have margins and profits which would grow along with that.

So we go to the 1st slide. This 1st slide is really the 1st slide of the presentation that you will see on our website. This is a fair summary in terms of where we are as a Bank. You would see that both deposits and advances have grown well. I think it is a fact that when we look at advances growth, it is broadly something the industry has profited from the cyclical upturn. We of course have grown probably a little better than the market advances. But what is equally remarkable is, along with that, the deposit growth is fairly good. And the challenge that we always discuss for the banks, that there is an expanding gap between deposit and advances growth, is less of an issue for us. So you'll see that our deposits have actually grown by as much as 17.5%, within that domestic deposits by about 14.5%. And, if you look at our CD ratio and we'll discuss it as we go forward, it's not very different from what it was 2-3 years back. So, the Bank is well placed in terms of business growth.

If you look at the margins, the margins continue to improve. The net interest income is up handsomely at about 26%. That largely is on account of the fact that you have had both, growth of business, as well as growth in margins. In this slide, what would be the other thing that you might again want to focus on, is again the profitability of the bank, which has possibly now reached benchmarks which we had promised for about a year later, but more as we go ahead with the presentation.

So this is again when we talk about advances growth. So, for us, I think what was important was, that the Bank really begins to fire on all engines. For us there were two challenges, if we were to go back a year. One was that a lot of segments were growing fast, but home loans, which is the mainstay of retail loans was not growing as fast. And the second part of course was, that as a matter of deliberate strategy, the corporate loan growth was a bit tepid. As we have discussed in the past beats, there was a choice – either you grow your corporate advances or you keep your margins intact. But now you would see again that the corporate loan growth is catching up and every single segment is double-digits.

But, when you to go retail advances that is where you see that there's a transformation of the balance sheet which is in progress. So, the overall organic retail growth is nearly 30%. And within that, home loans, which is about 70% of the retail book, is nearly about 20%. And the other extreme of the graph, you have unsecured personal loans which is growing at more than 150%. As we had guided earlier, this is the segment, unsecured personal loans, which is relatively new for us, and which is benefitting most from the digital intermediation which actually has transformed the Bank. And, this is something which is having a very salutary impact, not only on growth now, because now it is very substantial, I think our retail loan growth will actually on YoY be more than 10,000 crores. So, it's contributing handsomely to overall retail growth, but also in margins, it has a disproportionate impact. And also if you see the right side of the slide, you'll see on the top the growth, as far as segments are concerned, and on the bottom side again the disbursements. So, disbursements actually have grown much faster, which would mean that as we go ahead, we should see this growth sustain.

So, this is where the deposit piece is there, where I believe we are a little bit of an outlier in terms of what we have been able to achieve here. So as I pointed out, total deposit growth is 17.5%. So now, if you look at overall loan growth 20%, deposit growth 17.5%, which is a margin of just about 2.5% which is there. And therefore, what you find is that our domestic CD ratio is still about 74%, which means that even as we go ahead, there is enough scope for us to make sure that we can actually keep our foot on the accelerator. If you look at the CASA growth also, it is reasonable. But quite expectedly, as the difference between the rates that we offer on CASA deposits and that we give on our term deposits, as that grows, people would likely move their deposits from savings to term deposits, which is why you are seeing this in an accelerated manner.

International, again, is something which has been growing well, but here also the deposit growth actually is supporting that mostly as we go ahead. So, if you look at the overall global CD ratio, it is somewhere in the region of 80%. So 80% is quite reasonable, being that there's still scope for us to push it up by few more percentage points.

The margins continue to strengthen. If you see the yield on advances and what is the uptick as compared to the cost of deposits, the improvement in yields is still higher as compared to deposits. Which means, we might still have a quarter or two run of getting advantage of the fact that there's a rising interest rate regime, which will help margins as we go along. And if you look at the NIMs and also recall our conversation in the last quarter, we had disclosed that our NIMs for the last quarter had some one-offs that the NIMs on an actual basis were in the region of 3.17%. So there actually is an improvement of about 20 bps on the NIMs. I think, given the trajectory of yield and cost of deposits, I would believe that this is largely a sustainable number as we go ahead. This is also ahead of the guidance that we gave at the beginning of the year, when we had said that there will be a 10 bps improvement.

This is the profitability slide where you see again significant improvements right across the slide. The net interest income has grown, as I mentioned in the opening remarks, 26%. Given the fact that you have loan growth at 20% and margins have improved by about 20 bps, that's what translates into NII growth of 26%. Fee income growth is a little tepid, and I think that's something which I hope can improve going ahead. There has been a little bit of an issue in terms of where the growth has been coming from. So in terms of project finance, that gives you upfront piece. I think that is still something which is yet to take- off, and I hope this is something that should improve as we go ahead.

The Profit before Tax and Profit after Tax have both grown by about 100%. The bit of correction that you see on the right hand side that is again some adjustments which were there, some one-offs which were there. You'd find that as a result of the one-offs, the Operating Profit is actually a little lower than the figure which is there and the PAT is higher. So, there's actually a Reserve Bank of India dispensation which said that holding one's SRs, the security receipts which you get from ARCs, that needs to be accounted differently. So, the provision used to actually happen before the Operating Profit, now it is after the Operating Profit. So that is the correction which is there. Similarly, there were some one-offs in terms of taxation, which should not get repeated, which is why you see that the PAT, apart from these one-offs, would have been a bit higher. But I think what is important is that it will show you that there's a reasonable possibility of these kinds of margins, this kind of profitability persisting in the future.

So, this is the 9 month figure which again is important, because again, it's important to see that whether the quarter that we see is something that is in line with trends. And you will see that the performance is something that has been gathering pace over the last few quarters. Each quarter our profitability has gone up, and therefore even when you look at the 9 month figures, they pretty much replicate what you have seen in the quarter under review.

This is asset quality, where I think we see the most stark improvement. We had, very frankly, expected that we would reach these kind of numbers possibly by the end of the year. But I think the improved profitability of the Bank has allowed us to be even more aggressive, again making sure that we provide for all unforeseen situations in the future. Which is why you'd find that the Gross NPAs have dipped well below 5% and Net NPAs are now below 1%. Which means, that the downside that can come to the Banks' portfolio from the existing stock of loans, is extremely limited. Equally again, you would see that the slippage ratio is pretty much towards the lower end of our guidance. We had guided that we might be having a slippage ratio between 1.25 to 1.50%. We had 1.22%. So, I believe now something between 1% to 1.25% should be a more reasonable guidance for the year. Similarly, the credit cost actually has fallen far more sharply than we had anticipated and it is far below the figure of about 1.25%, we had guided for. We believe now we should be guiding for possibly 1% and under.

This is again a slide which demonstrates the longevity of the improvement that we have seen. The collection efficiency and the SMAs again, have seen now quite a few quarters of very steady improvement and levels which again seem to augur well for the future, particularly SMAs, because this is the lead indicator for any stress which might be developing in the balance sheet.

So, as a consequence of the profits, you find that the capital position is fairly robust. And the actual capital position, if we would take into account the Bank's accumulated profits, is still better. So our assessment as of now is that we will end up with a capital adequacy ratio at the end of the year which will be north of 16%. It will be higher than what we started the year with. And, this is in a year where we have seen very very strong loan growth at 20%. Now, if you were to extrapolate that to the future, which means that loan growth possibly might again moderate a little bit as we go ahead and profitability might improve a little bit, I think we are at that stage where we can see whatever we see as the foreseeable growth for the future and also be confident that that can be funded entirely from the Bank's internal accruals. We may not need go to the capital markets unless we see growth which is much much larger than what we expect as of now.

So, a couple of things which again are important to see in the longer term perspective. We are trying to answer the question – are we simply benefitting from a cyclical upturn or is there much more to the Bank's performance? Now if you look at the left side of the slide, you'll see that our branches actually have come down over the last 2 ½ years by a substantial number, our number of employees has come down. But in each of the metrics on the right side, you actually have very very good growth. And, mind you, this very very good growth is when we actually had very slow 2 years; it's only this year that the growth has accelerated. Now if you were to extrapolate this trend to the future, which means that you keep on gaining from the fact that your physical build actually is not growing and has actually come down over a 3 year period, and you see the acceleration that you're seeing now, I think augurs well for the Bank and for us to say that what you're seeing in terms of performance of the Bank is not only the advantage of the tailwinds by way of cyclical recovery, but also in terms of relative performance if you compare to peers we should actually be doing substantially better, which we'll demonstrate in the next 2 slides.

So this is again how our growth measures up with the 9 major banks – private and public sector, who have declared their results so far. As I have told you, it is our deposit growth which actually stands out really very much in comparison. So these 9 banks have an average deposit growth of 6.8%, we have grown by nearly 10%. Our advances growth is also 1 percentage point faster, which is again where the last slide comes in, that what we are seeing is much more than a cyclical recovery, the Bank actually is now outperforming peers by a reasonable margin. And this is again how it translates into profit.

Similarly, you will see that whether it is in terms of NIM growth, costs, credit costs, profit, we are substantially outperforming peers. And it is here that the operational piece is the most important, because this tends to be rigid. It is very difficult to remove these rigidities from the system. So, the fact that our operating expenses are growing only half that of peers which our growth rate actually is faster. In fact if you were to look at the total business growth of the Bank in this 9 month period, it is the fastest among all banks – private and public sector. So, there are two things to see together a) Opex is growing by a very very low number as compared to peers and b) our growth rate top line is actually fastest or faster than everybody. I think HDFC pretty much compares in terms of growth, but nobody else. So, it think these are the things which give us comfort that as we go ahead, we should possibly be seeing that this trend is sustainable.

Before I close, I will just address one question, which I believe that if I don't address it, it will come from at least 10 of my friends here. This is something that you might know from our past interactions that we do not at all comment on any specific accounts. But, I do believe that you have a right to ask questions about the Bank, its portfolio and also what it means for the Bank. I think that's a very legitimate question that you would ask. So, I would just put a few facts before you, few numbers before you, that should give you enough reassurance that what you see here in terms of trend lines is unlikely to change.

So with regard to the business conglomerate that has been under discussion, our exposure there is currently 1/4th of the Large Exposure Framework (LEF) ceiling of RBI. So, the LEF ceiling normally says that you take into account what are your outstandings, what are your undisbursed loans, what are your non-fund based limits and the RBI puts a fact to that, that counts as the LEF exposure. So our LEF exposure here, is 1/4th of what is the permitted figure for us. So, that is factoid no. 1 that you might want to take into cognisance.

Number 2, as a percentage of our balance sheet, this exposure has come down over the last 2 year period. That's again something that you might want to bear in mind.

Number 3, of the exposure that is there, 30% is either in joint venture with a public sector company or is secured by guarantee of a public sector company. So, 3 things I would again repeat because I will not be really saying much beyond that. You're of course free to ask as many questions as you might.

I'll again repeat: Our exposure again to the group is $1/4^{th}$ of what is permissible under LEF guidelines. It is spread over a large number of companies. Within that 30% is either in joint venture with public sector companies or secured by a guarantee of public sector companies and this exposure as a percentage of our book has actually come down over the last 2 years. So thank you very much for your patient listening. We are open to questions now.

Moderator: Thank you sir. This is the Question & Answer session now. If you have any questions, please raise your hand. Please try and limit your questions to just one.

Ms. Siddhi Nayak: Hi sir, this is Siddhi from Reuters. I want to first ask about your credit and deposit growth guidance. This is my first question, then I'll come to the next.

Mr. Sanjiv Chadha: So actually, our guidance was that our credit growth should be in line with the industry or little better. When we began the year, we thought that credit growth would be in the region of 15-20%. It obviously has surprised us on the upside. But what is good is, that it continues to be a little higher than the industry growth rate and that's how we would want to position ourselves. This is what we have consistently held that for us in terms of order of importance, the most important is asset quality, second come margins and third come growth. But, we still want to protect our market share while keeping the other two intact.

The deposit growth again is something which we anticipated is going to be slower than credit growth this year, which is again very normal, because there are periods when credit growth is faster and there are periods when deposit growth is faster. In aggregation if you look at 3 years or 4 years as I mentioned, you'll find that our CD ratio is pretty much where it was 3 years before. So in aggregation, deposit and credit growth has largely matched up, there's not too much of a difference. And that's how we would like to keep the next year also – make sure we grow better than the industry in terms of loans, make sure deposit growth is again something which our CD ratio allows us to do. And as of now, given where the CD ratio is, I would anticipate we can still have another year of faster loan growth as compared to deposit growth.

Ms. Siddhi Nayak: Okay. Sir my second question is, as you expect, it's on the Adani Group. Sir, if you could help me understand, is there any concern right now about payment? You said 30% are public sector ventures, right?

Mr. Sanjiv Chadha: So what is the question there?

Ms. Siddhi Nayak: Sir, is there any problem?

Mr. Sanjiv Chadha: Not at all. As far as we are concerned, given how the portfolio is, we are completely reassured in terms of the quality.

Ms. Siddhi Nayak: And, has there been any issue?

Ms. Sanjiv Chadha: Absolutely there is no issue for the moment, these are early days. But again, the fact is that, if we look at our portfolio… and now I'm not going to again refer to the group, let me again put it in a broader context – whenever you look at large groups, one of the ways you manage the risk is to make sure that in a large group, particularly if it has the advantage of being a diversified group, that you make sure that exposure is spread over a number of companies. And in a large diversified group, these companies normally belong to different market segments. Those market segments tend to behave differently, again. So, there's a risk mitigation which is there in that diversification strategy.

So I would again say that as of now if you look at our broader loan portfolio, including this group, I think corporate is something which is performing outstandingly well. This quarter our slippage in corporate, which used to be thousands of crores, is something like 13 crores. If you look at our SMA figures, they are just 0.4%. So the fact is, I think all of us, and I would say this applies to certainly for BoB because I can that unambiguously, but certainly even for the banking sector, given where we are and given the nature of business that the diversified groups do, I don't think the corporate loan portfolio is going to be a matter of concern for banks at all.

Ms. Siddhi Nayak, Reuters: Okay. And one last question, has there been any communication from the group to the banks?

Mr. Sanjiv Chadha: The group's communication is something, I must apologise, I cannot discuss.

Mr. Abhishek Pandey: Sir, this is Abhishek Pandey, what is exposure to the conglomerate in discussion and the composition of portfolio.

Mr. Sanjiv Chadha: See, I've told you this before, if anyone asks us for information, we will provide that. But what information you have worked on, that we cannot comment on. My request to you is, you can ask me another 5-7 questions regarding this, but kindly do that towards the end of this meeting, as we need to attend to other questions too.

Mr. Abhishek Pandey: This time the concern is share price

Mr. Sanjiv Chadha: See, I will not talk about any group in particular, but if we were to talk in general, then any loan that we sanction/disburse is on the basis of their books and balance sheet. We don't consider what their stock price in the stock market is. We calculate your leverage ratio, how much have you borrowed from outside and how much is your capital, the group value is determined by the balance sheet. The shares keep fluctuating every day. Our leverage ratio is not dependent on the share price fluctuations of any corporate, that's one.

The second thing is, the loans that we sanction are most of the times secured. Since we give term loans and mostly working capital loans, our loans are also secured by the cash flow. So that's why bank's situation is a bit different. I understand, that you if you sanction a big amount to one company and if that company is in trouble, then that would affect you too. But if you take any big group like the Tatas, where we have sanctioned loans to 10-20 individual companies, if one company is in trouble, the others tend to balance it out. So I want to assure you, that in corporate banking and in the corporate sector and not any particular group, I have never seen the corporate sector in such a good condition in my 30 years of banking.

Hence, I would not want you to quote someone disproportionately or out of context, because ultimately, we in one way play the role of the press and the analyst too. It is our duty to do things the right way. So when you talk about the banks and the effect it would have on the banks, let me tell you that banks have corporates, agri sector, SMEs and we see it all on a consolidated basis. Besides, corporate banking is very important to us as it constitutes 50% of our balance sheet. I would like to reiterate, the corporate banking has never been in a better position than it is today. So we don't have to worry about anything.

Mr. Abhishek Pandey: My second question is different from this. Pre-COVID when the banking sector was working, and the banking experience post COVID, what difference have you noticed, and which sector's in banking has improved?

Mr. Sanjiv Chadha: That's a very deep question and I have two explanations to that. If you see the situation pre-COVID and now, there's been a cyclical improvement. The bank's balance sheets are better than what they used to be because all the problems in the last 10-15 years have been provided for, now. If you see our PCR (Provision Coverage Ratio), it is 92%. It means that if Rs. 100 of my loans are bad, I have provided for that. So if we recover 20-25% that would be accounted for in our profits.

Secondly, there's a lot of difference since COVID as banks has become more digitalised. For e.g. the number of customers using bob World in our 8,000 branches has increased 5 times. This happened during COVID itself because all of us changed our way of working during COVID. That has had a very positive impact on the bank's financial results and the bank's future. You must have noticed in one slide that despite a fall in the number of branches and employees, the business has grown 30-40% and we're talking about growth in business that was effected during COVID. Now as businesses are growing but our expenses aren't, that will have a very positive impact on the bank's books.

Moderator: Thank you. Amol, sitting in the front.

Mr. Amol Dethe: Thank you. I think Sir, the profit numbers are really good. Thanks. I think, congrats on that part. Sir, as mentioned the corporate loans is tepid and we had seen that main major CapEx was done by the large corporates in last one or two years but still your profit is really high. What are the major drivers behind your profit? Is it higher from the retail side? Also, the external factors added maybe the Insurance sell or the cross sells which the Bank has made.

Mr. Sanjiv Chadha: So, I think the improvement that you see is, I think, part of the transformation of the Balance Sheet. The fact that has become much more Retail-led, I think, is possibly the single biggest change that has occurred for the Bank and I think that was important because with corporate, given the fact that you have chunky loans, there's always a downside should things go wrong. So, I think there's a de-risking in which has happened but fortunately also along with the de-risking, given the fact that we are on the rising interest rate regime, we have also benefited by way of better margins, right.

So, even today it is tough to actually get pricing in corporate loans but in retail loans there has been a significant improvement as far as the pricing is concerned. And if you look at our figures, our retail loans have organically grown by 30% YOY and this is a trend that you have seen over the last few quarters. Within that you see, it is spread over all the categories. The lowest growing segment in retail loans for us is Home Loans which is 20%, right. That shows you how, again, diversified the growth is. So, to my mind this is the single biggest change.

The second part which to my mind particular to the Bank is, again, how we executed the merger. The figure that you saw in terms of branches and in terms of number of staff is because we delivered on our promise that when the Bank undergoes amalgamation we'll make sure that we get synergies worth Rs.10,000 crores over a 5-year period. It is those synergies which are now being reflected on the profit results of the Bank.

Mr. Amol Dethe: Okay. Thank you, Sir.

Moderator: I think behind.

Mr. Ankur Mishra: Hi, Sir. My name is Ankur Mishra. I am from ET Now. One question regarding international deposits and advances that have grown handsomely, in fact robust growth is there, so whether there is any reason for that? If you can explain that?

Mr. Sanjiv Chadha: So, I'll just pass the question to my colleague. Actually, Lalit was heading our New York operations which has given probably most of the growth. So, he is best placed to answer that and then maybe if I need to supplement that I'll do that.

Mr. Lalit Tyagi: So, good afternoon once again and thank you for your question. The deposits in the international is driven by the asset creation. So, basically, unlike domestic operations banks do not raise deposit first in the international banking, they just go for the assets and once they find the asset, the deposit simultaneously they raise and fund it. And as MD said that our international book has grown on the asset side handsomely for the reason is that we found the opportunities across geographies and that's how we tap the market and we raise the resources to fund them. We are present across various leading centres U.S., U.K. U.A.E., Singapore, Australia and there were different, different opportunities and we went to that.

Mr. Sanjiv Chadha: And also I request Chand sahab to supplement it, actually, much of the growth has happened during his stewardship.

Mr. Debadatta Chand: See, a couple of facts that International Banking earlier, slightly we wanted the business to stabilize. So, major part of the action has gone in terms of stabilizing the book and that is what the growth that you're seeing. See, there was a de-growth till March'21 and there was a growth since then. So, it's more like stabilizing the operation in terms of and that's what the growth you're looking at.

Secondly, look at the absolute number, it's something also needs to account for the rupee depreciation part which also accounted in the growth. So, in that we have gained robust growth in that and it is basically slightly changing on the mix of the portfolio. More on the syndication space we have acted on and that has given a very robust growth and very composite and you would have seen the new growth also has been very robust.

So, broadly, that's a strategy in terms of stabilizing the operation and taking to a growth path and that is what we have achieved as on today.

Mr. Sanjiv Chadha: I'll just supplement that in terms of giving you a flavour in terms of what to expect for the future, right; that's something which is important. So, there was a context to, again, where why we grew international. To my mind it is true that in most times the margins that you get on the domestic books are better, right. This is true in most cases. But the last two years, the margins on our Corporate Lending business domestically had compressed because of the liquidity situation. You're not making money on the Corporate Lending business and the margins on the International Corporate Business were better. So, it makes strategic sense to deploy capital there. Now, as margins normalize in India that is something which may not necessarily be true to the same extent. So, you'll find that the out performance of international might come down, not because international cannot perform but because you might find better opportunities in India.

Number two, as Chand Sahab said, there is an overstatement about 10% because of the rupee depreciation factor.

Third is, again, the base effect that he talked of that we actually had shed some low yield assets and, therefore, the base had come down and therefore you see a YOY figure which is higher. Now, that base effect will start dissipating from March onwards. So, I think what you will be seeing in the international book is a growth which is more in line with the Banks overall loan book rather than much higher than that.

Mr. Ankur Mishra: Another question. You have met certain parameters including ROA, ROE ahead of schedule as you mentioned, now what is the target for the year and if you want to talk about the next year as well?

Mr. Sanjiv Chadha: So, I think what we are seeing is, we had said that 'Look, the guidance was that from next year onwards we would sustainably deliver return which is more than 1% in terms of ROA and more than 16% odd in terms of ROE' and as you mentioned we have hit it one year earlier. Going ahead, I think, there's enough room for optimism because the growth that we have seen this year to some extent will yield the income results in the next year. Having said that, it is also a fact that we have profited by the gap which has increased between the cost of deposits and yields on advances. Now, that rate of increase will come down. In fact, if you look at the last quarter the gap was actually 40 basis points which means our yields on loans had gone up by 40 basis points higher as compared to the increasing cost of deposits. Now, that gap has come down to about 20 basis points this quarter. Now, over a period of time this gap will come down, right. To that extent, that will be a little bit of a corrective which will be there.

But, I think, in terms of the fact that we made progress in terms of asset quality, the fact what I mentioned in terms of the operating costs of the Bank being actually very low. If you look at the detailed Analyst Presentation, our costs are growing only by about 6%-7%, right. If you now juxtapose that 6%-7% against likely growth in the Balance Sheet to the Bank, we should be seeing good margins.

So, we may not see improvement really of the order of what we saw this year but, I think, we are confident we can sustain this as we go forward.

Mr. Ankur Mishra: One last question on Adani Group. As you mentioned that it is one-fourth of the ceiling of large exposure framework limit, can you also quantify in terms of your loan book, how much of it is? Or you can give the exact exposure you have. Thank you.

Mr. Sanjiv Chadha: I am saying the same thing to you again that I can't give you the exact figure now. You are an intelligent person, so I think you will be able to calculate it on your own.

Moderator: I think, Preeti, you had a question? Yes. Yeah, the second row, Aneet.

Ms. Preeti Singh: Hi, Sir. This is Preeti Singh from Bloomberg. So, I had two questions. One was, I saw that the Collections efficiency is really improved, so if you can comment on that?

Mr. Sanjiv Chadha: Yeah. So, I think, one is of course, Collections. I think the second is what the Bank is doing in a larger context. So, we recognize that as Public Sector Banks we have some advantages but there are also areas in which we had lagged behind. Collection was one area and our stance has been that if we have to build new competencies, we will actually go and hire talent from the market and see how we can make sure it delivers for the Bank and that's what has happened in the Collection department. We actually went out to the market, hired a very senior professional to run the Collection department for us and who has built the department which is why you see not only there is an improvement but there's a sustained improvement and I think there's scope for it to actually improve further.

Another area, where I think that has delivered results for us, again is the Wealth Management. Virendra from the Wealth Management department is sitting here. This is again an area which is not the traditional competency of Public Sector Banks but we believe that, a, we must have the humility to accept where we are not as good as some of our competition and, b, we must also access talent and not just be providers of talent to the market.

If we put these two things together, we can actually make sure that Public Sector Banks can perform as well and even at times outperform Private Sector Banks.

Ms. Preeti Singh: Great. My second question is related to like we just had the budget and I'm just curious how you're thinking about some of the provisions in the budget and how that can impact negatively or positively the Bank's growth in the coming year.

Mr. Sanjiv Chadha: So, look, normally when it comes to budgets, I don't think there's much which impacts banks directly. It's always a second order impact which is there and the key areas which impact banks are again, a, CapEx, right, because the last three or four years we have seen a Capital Expenditure deficit as far the private sector is concerned. The government has had to do all the heavy lifting. I think there's still some room before the private sector investment really takes off and the fact that the budget provides for such a handsome increase in the outlay for CapEx, I think, is going to have a very salutary impact.

To some extent what you see in terms of numbers of growth for the Bank is because of that, right. Areas like Roads and all have performed exceedingly well and that's largely been driven by government CapEx through the NHAI.

The second, again, is environment which is predictable and which is stable both on the fiscal side and the monetary side and, I think, that has been one standout feature over the last few years. When the entire world has seen cataclysmic changes, ups and downs, government opening their purse strings and then struggling to see how they can meet their budgets. We have had an environment which has been very calibrated, very stable and, I think, what you see in terms of the performance of the banking sector is in large part attributable to that.

Ms. Preeti Singh: Thank you.

Participant: Sir, question related to budget for a common man is, because in the budget for start-ups or for semi-scale industries and SMEs many things were there, what is expected opportunities after this budget for the small-scale businessmen in Bank like yours?

Mr. Sanjiv Chadha: Yes. See, in my opinion the announcement of policies where MSME up to Rs.2 lakhs will have government guarantee is very important. I am saying this because during COVID a new thing was in talk and that was ECLGS where banks were told that ‘You give money to MSMEs because this is a hard time for them. We take the guarantee for them’. So, in my opinion that has been a very successful scheme from two viewpoints. One, MSMEs got support of that. Second, it proved that when we extend loans to them it is not necessary that those are bad loans. In current date, if we see ECLGS scheme, so earlier in that we had advanced loans of Rs.14000 crores and in current date that Rs.14000 crores is now reduced to Rs.10000 crores; we have received back Rs.4000 crores. In this Rs.10000 crores, the count of MSMEs is just 4%.

So, in my opinion giving guarantee for the MSMEs by the government will be very profitable. Because in current date the problem is, as far as Retail is concerned, banks are offering many loans for that. Corporates never had an issue related to loans. It is just MSME segment who will either go to NBFCs and will pay high rate of interest or they have no other alternative. So, in my view this policy will be very successful and it will have a very good impact.

Moderator: Aneet, you can give the mic to Joel here on the first. And just one note to online participants, if you have a question please raise your hand on Zoom.

Mr. Joel Rebello: Sir, this is Joel Rebello. I write for The Economic Times. I just wanted an outlook on asset quality. I think, it's simple, it's improved for the whole sector as such. I mean, we've been seeing this trend. If you can give us an outlook for next year? I think if I have heard you right, in your presentation you mentioned you should now look at credit cost below 1%. So, if you could give us some outlook on NPAs credit cost and slippages, Sir? Thank you.

Mr. Sanjiv Chadha: So, thanks, Joel. Good to again see you. I think we've been speaking for the last one year. Good to see who Joel is, right.

Mr. Joel Rebello: Thank you.

Mr. Sanjiv Chadha: Great.

Mr. Joel Rebello: Thank you so much.

Mr. Sanjiv Chadha: So, I think, there are three or four parameters which we can use to make a prognosis in terms of what asset quality is likely to be, right. One is, again, in terms of your current book what is the downside. Now as far as the current book is concerned, with a 92% provisioning there is no downside and probably an upside, right, as and when you get recovery which we're already seeing now.

Second, I think, you see again the credit cost which you saw has come down to 0.37% for this particular quarter. I think that's a fair representation in terms of how things are going to be going forward.

Third is, again, how does your present book look like? Are there any issues which might be developing? We might be in good times but, again, are there any problems around the corner? That is when you look at your SMAs and see how they have been. They have come down precipitously and now for four quarters they have been coming down marginally each quarter- 0.48%, 0.42%, 0.40%. So, I think, that's something which is working very well.

Fourth, as I mentioned to you, there are things that have been put in place. The Collection mechanism, that's again something which is going to stand you in very good stead.

And lastly, which is probably the most important factor, is the fact that corporate is always the elephant in the room and the fact that in slippages, corporate slippages are by far the lowest segment even among others. I think that should give us reasonable reassurance.

And last I'll mention more, although I said last, is that, again, when it comes to Retail which is growing aggressively and legitimately people can ask the question 'Look, could this become a problem in the future?'. I think our experience in COVID is one which is most reassuring because the COVID period when it came to Retail segment was the most testing time. People lost their jobs, right, their salaries were delayed and despite that we are where we are today. So, I think we should actually look at the future with a fair degree of reassurance.

Mr. Joel Rebello: Numbers?

Mr. Sanjiv Chadha: Numbers are the things that ought to be better tomorrow than they are today.

Mr. Joel Rebello: So, lower than 5%?

Mr. Sanjiv Chadha: I would believe so, yes. So, I think gross NPA is really a function of how you again handle write offs. You see that gross NPA have come down by 275 basis points over the last one year. I think there's room for it to come down substantially. Thank you.

Moderator: Vishwanath. Aneet, right there. Yes.

Mr. Vishwanath: Hi, Sir. Since you mentioned the quality of the corporate portfolio and you said that it's been the best it has been in years, I'm just curious to understand I was looking at the presentation sectors like Power, NBFC and Iron and Steel are the segments where a large part of the growth has come from and each of these segments have also led to the last cycle of problems that the we have faced. What has changed now? I mean, I saw that things your ratings are better in terms of the corporate but these were great the last time also, so I don't know how relevant that is in terms of future credit quality? So, I just wanted to understand that.

Mr. Sanjiv Chadha: I think very fair question. So, I think, some things have changed. So, the biggest growth actually has come from the Road sector where we actually had a really rough time in the last cycle. That rough time came from two major sources. One was, that Road projects were launched without land being completely acquired. The other was, that the traffic did not really come the way it was supposed and the new schemes under which you have now lent, the HAM projects, actually have taken care of both those risks. So, projects can now be launched only if 90% of the land acquisition is complete. And, again, since there is a Hybrid Annuity Model projects, once the completion is done then in terms of traffic risk it becomes a non-factor. So, I think that is what is most heartening. Any crisis from which you don't learn is a wasted crisis, right.

The other question is, why is it that Roads actually have boomed and so many other sectors have not? It is because the kind of issues that there have been taken care of. Similarly, in the Power sector you will hardly find any project under implementation which is on our books. All of them are running, yielding projects. The issue was if you had looked at our books 10 years back, Power projects might have been the same percentage but there would have been all projects under implementation, right. That's something which has changed.

Third, as we go ahead there'll be hardly any Greenfield capacity which is going to come from Thermal Power Projects. Most of it is coming, again, from Solar Power Projects which means you are also aligned to the future.

So, I think there are a lot of reasons why we should be much more sanguine in terms of future as compared to the past.

Mr. Vishwanath: And, Sir, thoughts on economics of renewable powers?

Mr. Sanjiv Chadha: Actually, the fact is the economics of renewal powers are making so much sense that the economics of thermal power are being challenged.

Moderator: Thanks, Vishwanath. I think, Ajay had a question. Ajay, do you have a question? No? Okay, Shahid has one question. Aneet, here on the right.

Mr.Shahid: Hi. I am from Financial Express. So, nice to be here. Just a couple of questions. First, somebody mentioned CapEx, what is the demand of capacity utilisation from corporates and the outlook? Will this expansion be different from previous instance?

Mr. Sanjiv Chadha: So, I think, probably the time of irrational exuberance is gone, right, where you assumed that demand would come anyway, right. That, I think, is not going to be there. So, there's going to be calibrated expansion of capacities.

B, this is going to come from larger players who are able to absorb the uncertainty that might still be there.

C, you now have a new class of sponsors. Earlier you had the family groups which, again, we're putting out their money and now you have Private Equity funds which have again global standards in terms of due diligence and in terms of return expectations. So, I don't think you're going to see the same kind of, again, the cycle that we saw maybe 10-12 years back.

Having said that, we now are reaching a level where capacities are reaching about 75%-80%. So, it is natural that the pace of growth will be much more in the next three or four years as compared to the last three or four years. Also, we are seeing that the number of sectors where capital investment is happening has started broadening. So, I think we can be confident that there will be a significant uptake to private sector investment but what we saw 10 years back, I don't think that is likely nor is that healthy. Rather than happening in spurts, if it happens on a sustained manner, I think, it is good, again, both in terms of managing the supply-demand gap and also in terms of the health of banks.

Mr. Ajay Ramanathan: Fair enough. Just another question on the personal loan side of things everything seems to be increasingly digital, can you give some colour on that?

Mr. Sanjiv Chadha: Yeah. So, let me again pass this on to Joydeep and then I might supplement if it is required.

Mr. Joydeep Dutta Roy: So, personal loan growth basically has been on the digital side and it has continuously increased in the last 1-1.5 years. So, with that base of customers as we look into their balances and look at the data in terms of their spendings and the balances that they keep with us, their income levels etc., we have quite a few data points on which we can actually give them offers. So, that's been sort of a good improvement that we have seen in the personal loan space where we have been able to give out offers for pre-approved to our customers and there has been a good uptake on that. So, that has been a significant proportion of our personal loan growth. Since, we started on a small base the base the percentage growth that we're seeing is as high as 160%.

Apart from that, we are now also looking into the NTB segment. So, apart from the existing bank customers we are also looking at new to bank customers. So, that's again a space which we see there's a lot of potential for growth in the future because the data points are available publicly and as we use those data points and with digital, I think, there's a lot of traction that we can see there.

Moderator: So, I would le to just take one last question from online.

Mr. Sanjiv Chadha: Yeah, I think, there…

Moderator: Okay, thanks.

Mr. Sanjiv Chadha: That lady, yeah, I think she has been…

Moderator: Okay. I will just ask Hitesh's question. Hitesh is from The Indian Express. His question is, one is, CASA ratio falling and what is the outlook on CASA?

Mr. Sanjiv Chadha: Yeah, I beg your pardon. I'm sorry, I thought the question was coming from there. I forgot it is online. So, I think when it comes to the CASA ratio, it's important to remember the ratio, right. It's a ratio between what is your Term Deposit and what is your Current Account and Saving Account deposit. So, two things to appreciate, a, CASA has gone up, right, so about 7%-8% which is pretty much in line with what is the overall deposit growth for a lot of banks. What has happened is that because of the fact that now Term Deposit rates are substantially higher as compared to Saving Bank rates, there's a movement which is happening from Saving Bank to Term Deposits. At a time when you would get 3.5%- 4% on a Term Deposit and Savings Bank was 3% why would you take the trouble of moving that deposit? But where the differential now is 3% and 7.5%, it makes a lot of sense to do that.

So as long, again, rates remain a little elevated, I think, it is quite natural. So, I don't see this as a surprise. I think it is something that also helps the Bank because if you see again where the growth is coming from, it's coming from, again, largely Term Deposits with maturity period of between 1 to 2 years which means we are able to make sure that we are able to match the expectations in the current interest rate regime but we are not committing funds at rates which might become out of market after two or three years.

So, this kind of growth that we are seeing, to my mind, is at par for the course, it works well and as long as you find that the Net Interest Margins are improving, I think, it's something that works well for the Bank. But request Khurana Sahab, if he might want to just supplement that.

Mr.Ajay K. Khurana: Yeah. I think MD Sir has covered what actually is the issue. Overall we have been growing, our CASA is growing, but this ratio is a concern because our Term Deposits have increased; that is how it has happened.

Moderator: Okay. I think we will take that one last question.

Participant: Yeah. Sir, would you be looking at raising capital this year, next year? This year, this calendar year?

Mr. Sanjiv Chadha: So, this calendar year, I don't think that there's a possibility because as we saw that even with the kind of growth we have had. Sorry, my mic is off. Yeah, so I will just repeat hat. So, I think this calendar does not seem to be or this financial year does not seem to be a possibility because as we mentioned we had about 16% in terms of Capital Adequacy.

Going ahead also, if our current prognosis that there may be a little bit of a slowdown in terms of loan growth as compared to what we saw this year. We have seen loan growth of about 20%. I think there might be a little bit of a slowdown there and if profitability were to sustain or to improve then I think we should be self-sustaining in terms of funding our growth.

Ms. Hansini: I have one last question. Hi, I am Hansini from Hindu Business Line. Your presentation gives me split of all the NPAs on the retail side but can I get an overall number? So, Retail NPA, that's one. The second part of the question is, slippages from retail and Agri loans seem quite sticky at that 500-550 odd crore levels and at 700, is that the trend that you are you likely to see through FY24 as well?

Mr. Ajay K. Khurana: Overall number of Retail NPA is Rs.4000 crores; Rs.4100 crores

Ms. Hansini: As a percentage of asset, Sir?

Mr. Sanjiv Chadha: That is 2.35.

Ms. Hansini: 2.35?

Mr.Ajay K. Khurana: Yes. And the second question was slippages. See, when the rates were increasing and that there could be, delinquency could increase. But if we look at our last three quarters how our agriculture or retail, the NPA addition is almost the same. So, there is no increase in these two sectors as far as NPA is concerned.

Mr. Sanjiv Chadha: So, just to supplement that. So, if you look at two things, right, one we underwent two years of COVID and now we are seeing a time of rising interest rates. So, even with these two changes, you have seen that actually retail NPAs, accretion has not gone up. As you said, it is stable.

Number two, it is stable on a book which is growing very fast. So, you have a 30% growth rate in the overall book but the accretion you're seeing has not gone up. So, to my mind, again, it is something that works well from the Bank's viewpoint.

Third, normally what you find is that the stock of corporate NPAs gets impacted by write offs. The stock of retail NPAs does not. So, what you're seeing is also an accumulation of the past.

Ms. Hansini: Okay. If I can ask one more question, Sir? You spoke about a large corporate group, has any of the group companies slipped into even in SMA level for a fortnight or whatever in the past two years?

Mr. Sanjiv Chadha: So, as I said nothing specific in terms of group and companies but if you look at our figures of SMAs, right, which you can see for the last four quarters, if there had been any large corporate movement that would have got reflected very clearly. Apparently, it's not there.

Ms. Hansini: Thank you.

Moderator: Okay. Thank you. I'm sorry, we have to close now. Thank you everyone for joining us. Some tea, coffee outside, so please join us. Thank you.

Mr. Sanjiv Chadha: Thank you very much and look forward to seeing you next quarter.

Mr. Lalit Tyagi: Thank you very much.

Mr. Joydeep Dutta Roy: Thank you.

Moderator: We have the Analyst Meet at 3.30, so request all the CGMs, GMs, and Heads of Departments to please come back at 3:30. Thank you.

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