



ANALYSTS' MEET Q1FY23

1st August 2022

Participating members from the Management Team of the Bank

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

Moderator: Good Morning everyone and welcome to the Analysts' Meet for Bank of Baroda's financial results for the quarter ended June 30, 2022. Thank you all for joining us. We have with us today, Shri. Sanjiv Chadha – Managing Director & CEO of Bank of Baroda who will be leading the call. He's also joined by the Bank's Executive Directors. We will start with brief opening remarks by Mr. Chadha and a short presentation, followed by the Q&A session. Mr. Chadha, over to you sir.

Mr. Sanjiv Chadha: So, thank you very much Phiroza and a very good morning to everybody. Thank you very much for joining us. Let me just begin by introducing my colleagues on the call. We have Mr. Ajay Khurana - our Executive Director, Mr. Debadatta Chand - Executive Director in charge of Corporate, International and Treasury, Joydeep – our Executive Director who looks after all our platform functions including HR, Risk, Compliance and much more actually, and then of course, our CFO – Ian Desouza, with whom many of you would be very familiar. So, let me just begin, with just maybe 5-7 minutes going through 5-6 slides which to my mind, are the highlights for us, and also might in some ways, anticipate some of the discussion, as we go forward.

So, from the perspective of the Bank, the standout point for this particular quarter was the return of growth for the Bank. All of you have been tracking the Bank for many quarters, and you would have observed that we actually had reasonable progress in terms of credit costs coming down, in terms of margins improving. But if there was one challenge, it was that our performance and growth was good, but not really an outlier by any standards. This was largely driven by the fact that we had chosen to protect our margin in corporate and till last year at least the choice was very stark, either you grow your margins or you grow your business in corporate. Given the fact that corporate is the largest part of our balance sheet, tepid growth in corporate meant that the overall growth for the bank was moderate.

At the beginning of this quarter, we had guided that in our view, the time had now come where it might be possible to grow corporate along with making sure that our margins remain intact. I think that's what we are now beginning to see and largely again, powered by that, we have seen global advances for the bank grow by 18%. In part of course, this is due to the fact that the corresponding quarter of last year, the 1st quarter, was impacted very seriously by COVID and we actually had had a significant degrowth in corporate loans. But even apart from that, I think in every subsequent quarter, we have had good quarter on quarter growth and that momentum continues.

You'd also see on your screens that International also has contributed very handsomely to the growth. We had been discussing that how last year because of the fact that corporate margins were under pressure, it was profitable for the Bank to also focus on the international book which too is corporate, but gave us better margins. So, International has grown by about 30% YoY.

Within domestic growth, which was 15.7%, again, the standout performance has been in Retail where organic Retail has grown by 23.2%. Now, through most of the last few quarters, there were areas in Retail where we had grown fairly quickly. I think car loans were the case in point, where for many years, we have had more than 20% growth. But, where we were held back was the fact that, relatively speaking, our home loan growth was less fast. Given the fact that home loans are 70% of the book, if your home loans are not really growing very quickly, the overall growth does tend to get dampened. So, the fact that home loans actually have moved up by more than 15% YoY for us, and then if you add to that car loan growth which is now 25%, education loans have been doing well, they have accelerated further to about 20% growth, and personal loans which were powered again by the digitalisation of the bank and by bob World, have grown by nearly 150%. So, this, along with again,

reasonable growth in other segments including agriculture, MSME has meant that we have actually had a very good growth figures to report.

Again, if we were to just go back to the previous slide, one last point I wanted to add is that, when it comes to agriculture, again, the quality of the growth is improving very significantly because gold loans are growing at two times the rate of overall agriculture loan growth. Also, within Retail, apart from home loans, mortgage loans and car loans, now gold loans again have started adding a significant bit to that. So again, I think that should speak well for the asset quality there also, as we go forward.

Now, coming to deposit growth, I think it has been decent. We again have had consistent CASA growth which has been in double-digits which we continue to see. In terms of the international deposits, they have kept a pace with the loan growth, which again, I think is significant to the extent that the growth in international loans has been funded in large measure by deposits rather than wholesale funding, which again, has challenges in terms of the risks that might be there because of the volatility in interest rates and the upward trend that we have seen.

So, this is where again, the summary in terms of where we stand in terms of deposit growth. Our CASA continues to improve. You might recall that we had begun with a CASA ratio of 37% about 3 years back, this has now moved up to 44%. And, as interest rates harden, the fact that the bank now has good CASA ratio, pretty much in line with the best in the business, should mean that we should actually be seeing improvement in margins, because at least a significant proportion of loan growth will be funded by low-cost CASA deposits.

If we look at credit deposit ratio, we had, because of discipline in terms of matching deposit and credit growth, had a decent CD ratio right through the pandemic also, where it was mostly upwards of 75%. Now we see it has gone up to 80%. There, of course, would be the question in terms of what implications it has in terms of funding growth? So, to my mind, there are two parts to it. One is that, as we see deposit rates start normalising, not remaining negative in real terms, I think we should see some pick up in deposits. The second part is, even today as we speak, despite making sure that we are as optimally placed in terms of mix in the balance sheet, there is still a substantial amount of loans which are sub-optimally priced given where the direction of interest rates are. So, I think there's scope to reshuffle the portfolio also to make sure that we optimise yields on the portfolio.

So, coming to profitability, the NII again has grown by about 12%. So, if you were to juxtapose this against the 18% growth in loans, the difference is largely, because as I mentioned earlier, the quarter 1 of last year actually had negative growth in corporate loans, in particular. Therefore, in terms of average growth, which is what is responsible for NII that would be a little lower. Net Interest Margins are steady. The main reason why they're a bit lower as compared to the last quarter of the previous year is, there were some items which were there through recovery which went to the interest line. But we expect again and this is what our guidance has been, that there is scope for further improvement in margins even as we grow the loan book. We have guided that we should expect about 10 bps improvement in margins over last year and we stand by that guidance.

The operating profit piece is something which all of you are well aware of, and I don't believe it merits too much explanation. But just again to emphasise, the degrowth in operating profit is largely on account of the fact that as per current RBI guidance now, the marked to market now comes above the operating profit line. If we were to exclude treasure gains and also interest on IT refund, which is a one-off, actually the growth in core operating profit corresponds pretty much to the growth in net

interest income. So, in consequence, we have seen profit record a good growth of about 80% YoY and even if we were to compare it with the last quarter of last year, it's a reasonable growth.

Coming to asset quality, I think we have seen this trend in terms of improving asset quality sustained right through the pandemic. As we have discussed before, this has largely been driven by the improvement in the corporate credit cycle that continues abyss. As a consequence, there is continued reduction in Gross NPAs and Net NPAs. Net NPA is now actually down to about 1.5%, which to my mind is a good position in terms of indicating limited downside from the existing NPA book of the bank, as also indicated by the provision coverage ratio of nearly 90%. And equally, the slippage ratio again has been reducing as per guidance. We are guided that slippage ratio would be between 1.5% and 2%. So, it has come out at 1.71%, and I think there is again scope for that to improve further.

Credit cost, of course, are at possibly record lows that is partly because we had taken some accelerated provisioning last year. But equally, it is also because of what I mentioned earlier, that there is an improvement in the corporate credit cycle which is being sustained and that improvement will outweigh any negatives which might be there, say on account of any issues with the MSME book. So therefore, we have guided that the credit cost this year should be between 1.25% and 1.5%. For the moment, we stand by the guidance. Possibly, there might be scope again for some improvement there, but we'd like to see the improvement sustained over the next 2 quarters.

Coming to SMAs and collection efficiency, to my mind, this is the best indication in terms of an advanced indicator of asset quality. As we have seen, the improvement in the CRILC-SMA 1, 2 is stark as compared to the previous year, and the fact that this is not something which is one-off or not representative, is indicated by the fact that the collection efficiency also has improved in tandem and now stands at about 98%.

In consequence of the improvement in profitability, the capital adequacy ratio of the Bank continues to be in a very comfortable range of between 15.5 to 16%. We believe that this year also, our internal accruals should be adequate to fund growth. While we might be looking at accessing markets for replacing maturing AT1 bonds and maybe some Tier 2 issuance, but otherwise, we believe there may not be an occasion for us to access the markets for pure equity this year.

Lastly, in terms of digital, which in so many ways, underlines a lot of efficiency gains that we have seen. bob World now has 22 million users, and this is within 1 year; we had launched bob World in August of last year. Also, in terms of active users, now it is 38% of our non-FI customers. We believe there's scope to take it to nearly 50% by the end of this year, which would pretty much bring us in line with the best in the business in terms of using mobile interface as the primary interface with customers.

So, that's all from me by way of opening remarks. I'd be very happy to receive any questions.

Moderator: Thank you sir. We are now ready for questions from the attending analysts. I request anybody who wishes to ask a question raise their hand. You may also type your question in the Q&A box. The first question is from Mahrukh Adajania. You may unmute yourself and ask your question.

Ms. Mahrukh Adajania: Hello sir.

Mr. Sanjiv Chadha: Good Morning Mahrukh.

Ms. Mahrukh Adajania: Good Morning sir. Sir, my first question is on the personal loans. Sir, what is the ticket size? Would it have increased QoQ, and what would be the rate you would be lending your personal loans at? The growth has been very sharp for the last 3-4 quarters. So, that's my first question.

Mr. Sanjiv Chadha: Yeah. So, Mahrukh, I think the reason why we have seen the acceleration in the personal loans is that this was an under-exploited franchise for us. Now, with good data lake in place, and more importantly, with an efficient digital interface through bob World, we are able to access our customer base to offer them these opportunities. When we'd begun about a year back, we had a ticket size which was restricted to Rs. 50,000, now we are going up to, I think, Rs. 5 lakh in that. So, it is an impact of both the facts that the penetration is increasing and also that the ticket size has increased. The sharp growth of course is because we had started off with a low base, but now the kind of growth that we see even quarter to quarter and YoY, is significant enough to add to overall retail loan growth and also to the margins that we make on our retail business.

Ms. Mahrukh Adajania: And sir, what would be the salaried to non-salaried breakup and any yield that you can give? Some colour on that?

Mr. Sanjiv Chadha: Yeah. So, I'll just request if Joydeep has any ready answer on that, otherwise, we'll supply that to you offline.

Ms. Mahrukh Adajania: Okay sir. Sir, my next question is on International. Again, that book has grown very well over the last 3 quarters. In the last 1-2 quarters, would it largely be term loans or is it still trade finance only? And which sectors sir?

Mr. Sanjiv Chadha: Yeah. So, I think we have been cognizant that the growth should also be accretive in terms of margins. So, a large percentage of the growth is coming from term loans. As I mentioned earlier, this is in the context of the fact that in India, corporate loan margins were very very weak over last year, and therefore it made sense for us to access the possibilities in the international market. The second part which again is important to appreciate is that, since it's a wholesale business that we run internationally, the cost to income ratio there is actually well below 25%; less than half of what it is in India. Therefore, while margins may not compare with India, but if you add along with the margins which are available, the lower operating cost and also what has been over very many years, an average lower credit cost also, these make lot of sense, particularly at the present juncture.

But, I would again like to emphasise that for us, the international book offers an opportunity for risk diversification, for tapping opportunities given where we are in the interest rate cycle, but ultimately the bottom line is that we would want to allocate capital where it's most efficiently used. There was an opportunity for us to do that in the international operations last year, which is why we have had such good growth. I believe, there's still an opportunity to grow the book further this year. It may not necessarily be by a similar percentage, but I believe there's still an opportunity to grow that book reasonably smartly. So, that's how we would be looking at seeing things. Wherever we believe that we can get the best return on capital, that's the area we'd like to focus on.

Ms. Mahrukh Adajania: Any sectors over the last 1-2 quarters?

Mr. Sanjiv Chadha: So, this is a very deep market, right, the international syndicate loan market. Therefore, you are largely guided by your risk appetite making sure that, particularly in a rising interest rate regime, the interest rate coverage ratios are good. I think, so those are the kind of things that you look at, but not any specific sector as such.

Ms. Mahrukh Adajania: Got it. And sir my last question, sorry what did you say the margin guidance was?

Mr. Sanjiv Chadha: So, the margin guidance is that we expect that NIM should improve further this year. We had, at the beginning of the year, said by about 10 bps in terms of where they stood at the end of last year.

Ms. Mahrukh Adajania: Okay sir, thank you.

Mr. Joydeep Dutta Roy: Just to add Mahrukh, on that personal loan question, the breakup of salaried and non-salaried that you had asked, I think largely it's salaried for us. Around 70-75% is salaried component, rest is non-salaried. The average ticket size is currently around 2.5 lakhs on personal loans.

Ms. Mahrukh Adajania: Okay sir, thank you so much.

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

Mr. Jay Mundra: Hi sir, good morning and thanks for the opportunity. On the overseas book, if you can provide a breakup of 1.44 trillion loan book into buyer's credit, ECB, India linked corporate, non-India Linked corporate and local credit?

Mr. Sanjiv Chadha: I don't know whether we have that readily available. I'll just request Chand saab if he can give some broad indication, or again, he might provide the figure to you offline. Chand saab?

Mr. Debadatta Chand: We'll give you the data separately. But, the acquisition in terms of the incremental business by and large is out of the term loans and trade finance and assets are typically picked up in countries where the country rating has been fairly high.

Mr. Jay Mundra: Sure. The second question is on your restructured book. If you can provide how much is the outstanding restructured book, COVID and including any legacy, 5:25, etc. How much has come out of moratorium, and what were the slippages from the restructured book this quarter, and was there any normal repayment from that book?

Mr. Sanjiv Chadha: So, Khurana saab will answer that question. Khurana saab?

Mr. Ajay Khurana: The total restructured book, all inclusive, is 19,666 crore. Slippage, there has been a slippage of around 1,000 crore this quarter. Largely, we are getting good repayment, only 15-16% is stressed, SMA 1 and 2, you can say. Otherwise we are hopeful that in these 3 quarters, around 3,000-4,000 crore, 3,000 crore approximately should come out of it.

Mr. Jay Mundra: Okay, sorry. So just to confirm, 3,000-4,000 crore should come out of moratorium?

Mr. Ajay Khurana: Yeah, exactly you can say in 4 quarters, yes.

Mr. Jay Mundra: Sorry, so barring 3,000-4,000 crore, everything should come out of moratorium in 2-3 quarters?

Mr. Ajay Khurana: No, my dear. See, moratorium has been given even up to now. So, repayment is getting started. What I'm saying is that, stress is only in 15-16%. We are hopeful that rest will come slowly out of stress.

Mr. Sanjiv Chadha: I think what Mr. Khurana's point is that there may be about 3,000-4,000 crore where there is some stress. The other is likely to come out intact at the end of this year.

Mr. Jay Mundra: Sure, understood sir and out of this 19,600 crore, how much has restarted the billing, and how much could be under moratorium broadly?

Mr. Ajay Khurana: By June end, almost all have started payment now.

Mr. Jay Mundra: Right, understood and 15-16% is in SMA category, right? You have not included NPA here?

Mr. Ajay Khurana: Yes, NPA has already been excluded.

Mr. Jay Mundra: Correct and the last question sir is on your salary cost this quarter. There is no additional family pension that we have done. Instead, the provisions for salary has increased by few hundred crores. I was under the impression that if yields were to go up, then the bank should have some benefit in terms of staff retiral provisions. So, if you can elaborate sir, why has the staff provisions for salary gone up?

Mr. Sanjiv Chadha: I request Ian to take that question.

Mr. Ian Desouza: Yes. So, Jay, you would see in the last quarter i.e. the final quarter of FY22, you would see that we had a good favourable tailwind in terms of these provisions, which are likely for retivals and we were able to show a much lower provision. But, essentially, there's a countervailing factor in terms of the inflation. So, the dearness allowance also has a role to play because that gets projected into our assumptions. So, as a result you would see a provision that is in line with the same quarter last year, but on account of a different factor.

So, you're quite right, if we have a further repo rate hikes, the discount factor that we use for these calculations is likely to go up, but at this point we are not sure how much of it will go up, so you will see a positive movement perhaps towards the end of the financial year as we get further clarity on the discount rate moving up and hence giving us a benefit here.

Mr. Jay Mundra: Great Sir. Thank you so much Sir and all the best.

Mr. Debadatta Chand: Jay, just to update you on the trade finance on the international book, the book is around 20%.

Mr. Jay Mundra: Sure Sir, yeah. Thanks Sir.

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

Mr. Ashok Ajmera: Good morning, Sir. Am I audible?

Mr. Sanjiv Chadha: Yes, Ajmeraji, you're very audible, very good morning to you.

Mr. Ashok Ajmera: Compliments Sir for another great quarter of the good set of numbers specially in case of net profit, at least on the books it has gone up as compared to the last quarter to 2,168 crore. Having said that Sir, I've got a couple of observations and some questions. Sir, on the treasury front like the revaluation of investment continuously in the last quarter also of 819 crore, in this

quarter 1,168 crore, so going forward because overall treasury entire operations except the trading profit is there is overall negative, which of course is basically understood because of the hardening interest rate, but going forward where do we stand on account how much are we cushioned even if it goes by 20 basis point or 50 basis point by RBI as compared to the Fed there, so can I get a view on the treasury operation going forward in the next three quarters, is my first question please?

Mr. Sanjiv Chadha: So, Ajmeraji, I'll just give you a broad sense and then I'll hand it over to Mr. Chand to again give you a more detailed answer. The fact that this particular MTM loss that we have incurred right, this represents about again I think 60 to 70 basis points increase that happened in long term treasury rates. Now, it seems to be the market prognosis that while repo rate hikes would happen, but most of the increase has been factored in already in terms of long term rates and therefore the increase in long term rates over the rest of the year is likely to be less as compared to what we saw in a single quarter in this current quarter, so I think that's what we need to bear in mind.

The other part of course is that you might argue that this is always part of normal interest rate cycles that when interest rates increase, the economy improves, you will see better loan growth, you will see better net interest income, and you'll see some correction as far as the treasury evaluations are concerned. Now, the improvement in NII and the benefit of the improvement in terms of credit cost is likely to sustain for a fairly long period of time. But the impact that we had to see in terms of MTM, normally is compressed and this particular instance has got compressed or very short period of time, so overall I think as we go ahead the balance should work positively for the Bank. The second part of course is that how does it even work in the short term, so even when we had again a sharp market correction the fact that we have seen a significant improvement in the profitability, I think should possibly indicate that on balance it should work out well for the Bank going ahead also, but let me hand it over to Chand Sir in terms of an informed analysis of what are we likely to see as we go ahead.

Mr. Debadatta Chand: Good morning, Ajmeraji. The fact that last quarter had a significant yield increase, but in the rising interest scenario two things happen. One, is a negative impact on the depreciation side at the same time there is a positive income also. If you look at the interest income on investment has gone up significantly high in this quarter and the bank having a larger FRB component that positive offset is still there for subsequent quarters. Coming to the valuation side going forward, if you look at the levels at this point of time both on the 10-year G-Sec, even if there is a likelihood of some realignment on the short-term rates in terms of repo and all, but then the long term doesn't seem to be very likely to go significantly high that is what the outlook most of the market participants do have at this point of time.

So, taking all these things in consideration, as MD Sir has rightly said, the incremental impact of depreciation the subsequent quarter we see very less as compared to the kind of depreciation we've provided for in the June quarter and if the outlook comes true possibly there would be write back also quite possible maybe in Q3 and Q4 that's a view, but market can go anywhere. So, to sum up that whatever negative impact of the rising interest scenario has been, the book has taken that impact and subsequent quarters would be, we are quite positive.

Mr. Ashok Ajmera: Thank you, Sir. Point well taken. Sir, my second point is on the profitability again on the employee cost, which has gone up in this quarter by almost about 270 crore, Sir out of that, if you see note #10, I mean a provision of 73 crore on the revision in the family pension has been done only in this quarter, rest 1,091 crore has been carried forward as per the RBI dispensation over the

next four years or so. So, still I mean this 1,091 some banks are prudent and providing little more on this, what is our view on that and secondly coupled with that the provision is lower this time overall and that is adding to our profitability that maybe because of the your transferred some NPA accounts and there is a provision reversal of 2,355 crore, so going forward whether this trend of NPA selling is going to continue or do we see the similar kind of provision and reversing in the next coming quarter so as to have a clear idea of the profitability of the bank you know at the bottom line?

Mr. Sanjiv Chadha: So, Ajmeraji, I will again give you a broad sense again in terms of how I look at it and then again Khuranaji will give you a more detailed response. So, you're right, that we actually have a low provision this quarter, but that largely is because we had taken accelerated provisions in the previous quarter right. So, whenever you have got good profit, the Bank has a choice of doing some advanced provisioning, building some cushions. So, what we have done is we have chosen to do it in terms of creating credit provisions and that's why again we see that whenever, the Bank actually had a bit of a challenge in terms of mark to market, the fact that there were some advanced provisioning has helped again in terms of making sure that the credit provision is correspondingly lower.

But more importantly I think they are broad trends, which are there to see. For instance, if you look at the slippage ratio right, it has been coming down. If you look at the gross net NPAs they have been coming down, if you look at the guidance for credit cost, we have indicated this year that the credit cost is going to be between 1.25% to 1.5%, which is significantly lower as compared to previous years, so I think there are some broad trends which are there and we have had occasion to discuss earlier. Then this is largely to do with the fact that the corporate cycle is now working very well, which is why we saw this improvement even through COVID. So, therefore to my mind even as we go ahead, the trend of lowering of credit costs is likely to continue and is likely to add to the bottom line, but it is not because we are stingy in anyway on provisioning. If you see the PCR for the Bank right, it is at 90% even if you take technically written off accounts out, it is still more than 75% and this is among the highest in the industry. So, I think the point is that the Bank is very well provided as far as the NPA book is concerned and therefore as we see the growth, the benefit of the growth will accrue more and more to the bottom line. But in terms of your question I'll just request Khuranaji, if he has anything more to add in terms of specific figures.

Mr. A K Khurana: Yes Sir. Ajmeraji, as far as any selling is concerned, we have not sold anything or transferred any NPAs, credit cost is reduced as MD Sir has informed that because one we have gone for escalated the provisioning earlier. Second, is if you look at our slippage and our recovery, they're almost equivalent, because recovery is also good, so that is why our credit cost is getting reduced, so these are the main reasons, anything else is not there, yeah.

Moderator: The next question is from Mahesh MB. Please ask your question. Mahesh, you may unmute yourself and ask the question.

Mr. Mahesh MB: Yes Sir. Sir, first question is on the power sector

Moderator: Mahesh, I'm sorry you're inaudible, can you please be loud.

Mr. Sanjiv Chadha: I think a bit closer to the mic, Mahesh, you are very faint, your voice is very faint actually.

Mr. Mahesh MB: Yeah, is it better now?

Mr. Sanjiv Chadha: Yeah, much better.

Mr. Mahesh MB: Sir, I just wanted to understand this power sector demand revival that you're seeing for the last couple of quarters, where is it coming from?

Mr. Sanjiv Chadha: Sorry, could you repeat that. I think we lost you at the end.

Mr. Mahesh MB: The demand that you're seeing on the power sector side, if you could explain where is it coming from?

Moderator: The question he asked is, demand in power sector where it is coming from?

Mr. Sanjiv Chadha: Yeah. So, I think there are two parts to again the growth in terms of power assets. One of course is that there is a lot of Greenfield activity, which is there in the renewable sector. So, that's what has been actually been responsible for a fair bit of increase as it was the last few quarters. But then again there are some good quality assets, which are there even in terms of thermal power, which are mature, well performing with modest levels of leverage that is also something that we have been looking at. But let me again hand it to Mr. Debadatta Chand to amplify that.

Mr. Debadatta Chand: Power sector, typically the book increases out of the demand we had in couple of months from now in the entire economy and that can typically be the higher input cost, new energy efficiency measures, lot of renewable energy, new projects coming in. So broadly we're riding on those demands and our book also significantly seeing that way a good movement therein.

Mr. Mahesh MB: Okay. Sir, second question, what is the visibility now on the corporate NPL book that you have for about 13,000 crore in terms of recovery?

Mr. Sanjiv Chadha: So, I think in terms of the corporate book, the large recoveries have largely happened. The book is also almost completely provided. So, to that extent, I think there's an upside which still remains, but I think now onwards the large ticket resolutions which had to happen have happened. So therefore, the kind of spikes that you used to see at times in one quarter, they are unlikely and we should be seeing steady recovery still substantial recoveries, but steady recoveries as we go ahead.

Mr. Mahesh MB: Perfect and last question, what is the total number of customers that you have, if I were to just look at slide 27, which says 22 million activated users and 40 million downloads, what is the opportunity which is still pending?

Mr. Sanjiv Chadha: So, I think we have we can divide our customer base into two parts. We have a total about I think 130 odd million customers as far as I recall, out of that about 50%-55% are FI customers. We have about 60 million customers who are non-FI customers; non-financial inclusion customers, so you can argue that BoB world is again an application which is largely targeted at this segment. Now, if you look at private sector banks, which do not have as many FI customers, then the kind of penetration rate that they have achieved with mobile banking at time moves up about 50%-55%, so I think that is I think the kind of upside which is still there, so we are currently at 38%, I

believe it should be possible for us to take this penetration to about 50% of the non FI customer base by the end of the year.

Moderator: The next question is from Pritesh Bamb. Overall deposit growth was lower QoQ despite the same interest expenses are up 5% QoQ and domestic cost of deposit is down by 4 bps. Can you comment on that sir?

Mr. Sanjiv Chadha: Can you just repeat that once more.

Moderator: Overall deposit growth was lower QoQ despite the same interest expenses are up 5% QoQ and domestic cost of deposit is down 4 bps. Any comment?

Mr. Sanjiv Chadha: So, I think the two factors are at play, it is I think really normal seasonality that you see higher growth of deposits at the end of the financial year right, as compared to the first quarter. So, that's number one. Number 2, again in terms of actually deposit costs being lower, so if we were to look at YoY that is because for most of the last year, we actually had a lowering of deposit costs. Now, what we are seeing is, we are seeing some kind of stabilization, so I think that's what is likely to be the position. We should see now deposit costs pretty much leveling off and possibly start increasing modestly as we go ahead.

So, therefore what we have seen is entirely consistent with what you would expect that, A - that deposit growth in the first quarter of the year is lower as compared to last quarter of last year. Number two, overall since out of the four quarters we are now measuring at least there were 2-3 quarters where deposit costs were coming down significantly you still have a little bit of benefit from that even as we speak today.

Moderator: Thank you, Sir. The next question is from Anand Dama. You may unmute yourself and ask the question.

Mr. Anand Dama: Yeah. Sir thank you for the opportunity. Sir, what is the overall growth run rate that you would look at by the year end, so should we have about 12%, 13%, 14%, what kind of run?

Mr. Sanjiv Chadha: So, I think we are at the beginning of the year and we had guided at the beginning of the year that we believe that the industry might grow about 10% to 12% and we would expect to grow faster than industry or at least industry or maybe faster if we can help it. I think we stand by that guidance, very obviously the growth momentum of this quarter is significantly quicker, but then I think for the moment since it's just one quarter, we'd like to see how it goes, so we retain that guidance. Industry growth rate probably up to about 12% and are targeting a slightly faster rate while keeping a margin impact or improving them as we go ahead.

Mr. Anand Dama: Any in the overseas book, is there any short term loans that we would have given basically, which would run off as you move ahead?

Mr. Sanjiv Chadha: So, I think Chand Sir had clarified that, that the proportion of short trade finance is relatively low, it's relatively low it's about 20% book, I think he has clarified, so therefore we have a fairly stable book and therefore again we believe that we don't expect any contraction of the book in the near future.

Mr. Anand Dama: Sir NARCL transfer, so when do you expect that to happen and what will the quantum of transfer?

Mr. Sanjiv Chadha: So, I think there are some formalities that need to be completed which again are not entirely in our hands, but we have guided earlier also that because of the nature of our book and the resolution that have happened over the past period, the figure for us is not going to be very substantial.

Mr. Anand Dama: Okay and Sir lastly you have significant stake in the insurance company India Life any plans to sell stake in that insurance company, anything which has come from RBI or from government basically to cut down your stake in to the non-bank holding space?

Mr. Sanjiv Chadha: Sure. I think but we have put in the public domain the current position. I think now going forward, in terms of what might be plans that would be really for the company to answer.

Mr. Anand Dama: Okay. Thanks a lot.

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

Mr. Rakesh Kumar: Hello.

Mr. Sanjiv Chadha: Yes, Rakesh.

Mr. Rakesh Kumar: Yeah. Thank you. Thank you, Sir. Thanks for taking the question Sir. Sir, as you mentioned Sir the credit growth guidance that we have is slightly higher than the industry growth for this year correct?

Mr. Sanjiv Chadha: Yeah. So, we have guided that we would want to grow at industry or higher.

Mr. Rakesh Kumar: Sir our retail term deposit growth is around 3.5% for this quarter on a year-on-year basis, so with this kind of retail term deposit growth, would it be you know easy for us in a rising interest scenario to reach that kind of a credit growth number?

Mr. Sanjiv Chadha: So, I think even what you have indicated along with that record in terms of CASA growth would pretty much again match up with what is the current estimate, but again as I mentioned in my opening remarks, the fact also is that as interest rates, real interest rates become positive that should positively impact deposit growth for all players. Number two, even today as we speak because of the overhang of liquidity which was there for most of last year, in terms of composition of book, there is scope to reshuffle that to optimize yields. So, I think that's also some of the things that we're likely to see.

Mr. Rakesh Kumar: Okay and so just last question pertaining notes of accounts number 12, if I see the similar number in the Q4, there is a bit of a reduction in the additional provision that we are holding on the stressed standard asset, so is it that because of some delinquency in the restructured book, we have reduced that provision, we have reversed that provision, or there is some other reason for this provision number you know having come down from 598 crore to 465 crore?

Mr. Sanjiv Chadha: So, I'll just request Khurana saab to take that question.

Mr. A K Khurana: No that is correct because of delinquency in the standard asset those have been restructured have become NPA, so that provision has been shifted there.

Mr. Rakesh Kumar: Okay. Thank you. Thank you, Sir. Thanks a lot.

Moderator: Our last question comes from Abhishek Tandon, you may unmute with yourself and ask the question. Abhishek please go ahead and ask your question. We will move to Mona Khaitan to ask the question. Mona, you may ask your question.

Ms. Mona Khaitan: Hello.

Mr. Sanjiv Chadha: Yes Mona.

Ms. Mona Khaitan: Yeah. Hi Sir and thanks for taking my question. So, on the gold book what would be your yields both on the Agri and the non-Agri side?

Mr. Sanjiv Chadha: So, I think is that something that Joydeep you might want to take that question?

Mr. Joydeep Dutta Roy: So, we don't have the ready figures right now, but we can supply it offline maybe. I will arrange to send that figures to you.

Ms. Mona Khaitan: Sure Sir. Thanks. Secondly, what would be the outstanding disbursements on the ECLGS portfolio and what sort of slippage we've seen from the same?

Mr. Sanjiv Chadha: So, I think as far the ECLGS portfolio is concerned, I think the sanctions are about 10,500 crore to 11,000 crore, 19,500 crore as outstanding, some repayments are there. My own sense is that now disbursements should be more exceptional rather than the rule. In terms of the quality of the portfolio it seems to be holding up fairly well. As of now the NPAs probably are less than 10%, so on current evidence I think the ECLGS portfolio is performing reasonably well also we had occasion to discuss in the past that since the ECLGS loans were priced actually very often at rates lower than the main book right for a lot of borrowers, so it was not necessarily, again there was no necessary correlation between stress and the ECLGS book, so therefore we expect this portfolio to continue to be reasonably strong.

Ms. Mona Khaitan: Sure, and just lastly on the restructured portfolio you mentioned 19,600 crore, so this is standard book right?

Mr. Sanjiv Chadha: This is the standard restructure book indeed.

Ms. Mona Khaitan: Okay and so far, if I have to look at the cumulative slippages from the same, it's been around for 40 billion or so, 4,000 crore?

Mr. Sanjiv Chadha: So, I think it depends on what timeline are you really looking at when you say what is the cumulative slippage from that, but again maybe Khurana saab might have some indication on that.

Mr. A K Khurana: No, around 4,000 crore is in last 1 to 1½ year.

Ms. Mona Khaitan: Yeah. So, that would be the case for this COVID restructured book right, the total slippages so far?

Mr. A K Khurana: Yes, in fact this entire 4,000 crore not COVID, the earlier restructure also is included.

Ms. Mona Khaitan: Yeah, right. The COVID and the MSME restructuring.

Mr. A K Khurana: Not MSME, even the corporate big accounts are also there.

Ms. Mona Khaitan: Okay the FBRs and so on.

Mr. A K Khurana: I will not name, but yeah there are few.

Ms. Mona Khaitan: Sure, okay, thank you.

Moderator: Thank you everybody for participating. I now request Mr. Ian De Souza to give vote of thanks.

Mr. Ian Desouza: I'd like to thank all the analysts on the call. As usual, it has been a very engaging set of questions and look forward to seeing you in our next quarter call. Thank you very much.
