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

Dear Sir / Madam,

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

We enclose transcript of Analyst and Media Meet held on 16.05.2023 for Q4 (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: 2023.05.22 10:31:36 +05'30'

P K Agarwal
Company Secretary

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

16th May 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: Good afternoon, everyone and welcome to the Analyst Meet for Bank of Baroda's Financial Results for the Quarter and Year Ended 31st March 2023. Thank you all for joining us.

We have with us Mr. Sanjiv Chadha, the Managing Director and CEO of Bank of Baroda; and he is joined by the Bank's Executive Directors and the Chief Financial Officer. We'll have a few opening introductory remarks by Mr. Chadha, and we have a short presentation, followed by the Q&A session. Over to you, sir.

Sanjiv Chadha: Thanks very much, Phiroza. So let me just begin by introducing my colleagues, you will be familiar, but let me do that. On my right, we have Mr. Ajay Khurana, Executive Director in charge of Retail Banking for us. On his right is Mr. Lalit Tyagi, in Charge of International Banking and all our platform functions like Risk, Compliance and Audit. To my left, Mr. Debaddata Chand, who is Executive Director in Charge of Corporate and Treasury and also who is our Managing Director designate. To his left, we have Joydeep Dutta Roy, who is ED in Charge of Digital, IT and all our subsidiaries. And to my extreme left, Ian Desouza, who most of you know, our Chief Financial Officer. Thank you.

Moderator: Can we have the PPT, please.

Sanjiv Chadha: So thank you very much for joining us this afternoon. I think it's after a long time, we have been able to get together without the pressure of all of you having to rush to another meeting. So thanks again for that. So we'll just start the presentation by a small focus on the growth numbers. I'm completely aware that you received these numbers at the beginning of the quarter, but just to put in perspective the profitability piece that we've declared today. So we have been guiding right through this period that from our perspective, in order of priority, we believe that the most important thing is underwriting standards and credit quality. Once we ensure that we try to protect our margins or improve them. And if it is possible after that to actually go for growth.

We had also guided at the beginning of the year that finally, after very many, many years, we believe it is possible for us to have margins and also to grow at a reasonable pace. So we are really, therefore, very satisfied with the kind of growth figures we have seen after a long period. What is equally encouraging again is that this growth that we see has come from almost all business segments. First of all, between domestic and international, domestic has grown by more than 16%, which is faster than the industry, while international has grown by 30%. As some of you might recall, we have been discussing that this robust growth in international was partly because of the fact that margins were depressed in corporate lending the last year. And therefore, we found better margins in the international book. Nevertheless, the growth has now moderated from about 40% to 30%. And we believe that as we go ahead as opportunities in domestic market improve, the growth in the international book should be pretty much in line with the overall growth as we go forward.

Equally important, if you look at the segmental growth, it is driven largely by retail. So organic retail continues to grow at a very robust pace by about 27%. This, again, is part of our Board-mandated strategy, which requires us to have a larger proportion of our balance sheet in retail. So this year itself, we have increased the percentage of retail loans by about 2 percentage points. We expect to continue to do that as we move forward. We have been guiding that if our growth is x, we would want our retail growth to be 1.5x, corporate about 0.7x. So that over a period of time, we can achieve this portfolio composition change that we would want to do. But what is equally satisfying is that corporate, which had been under pressure in terms of margin, therefore, we chose not to grow that very aggressively. This year has turned up a smart growth about 13%. And going ahead, we believe that corporate will be contributing more to the growth and also while ensuring that margins are intact or improved.

Within retail, the sustainability of this growth is largely predicated upon the fact that this growth is coming from a large number of business segments, which are largely unrelated. So you have growth from home loans, which is about 19%, which is the slowest of the segments, but the others are growing even faster, which means auto loans, education loans, personal loans, all of these are growing much faster, which means that as we move ahead, we can be a little more confident about sustaining this pace of growth, which is also something that is indicated by the disbursement momentum, which is again gathering pace.

The challenge for this year, of course, next slide, has been more by way of deposit growth, I think, for all banks. And there also, I think for us, it has been a relatively benign outcome. The gap between deposit growth and advances growth is possibly one of the least for us. So overall deposit growth is 15%, loan growth is 19%. And if you look at the lower quadrant, you will find that the credit deposit ratio and particularly the domestic credit deposit ratio, which really is key because international growth very often gets funded by instruments like medium-term notes. So the domestic credit deposit ratio is just about 75%. So there's a lot of room, which is still there in terms of growth, and we are under no pressure whatsoever in terms of liquidity as we move ahead.

Within the deposit growth, CASA growth is about 8%, and domestic term deposit growth is 17%. And this is something which is pretty much par for the course because as the differential between the saving rate, which is about 2.75-odd percent for us or 2.8% for us and the term deposit rates, which have moved north of 7%. As it expands, I think you would expect that more and more customers, who have been maintaining savings account deposits, would like to move them to term deposits to the extent possible.

In terms of -- next slide, please. Yes. So in terms of how we compare with the industry, you will again find that we compare fairly well with the industry. So our growth is better than both industry and scheduled commercial banks by a fairly significant margin. When we talk of industry, we have a set of 10 banks, public and private sector, who have declared results so far. So it's about 4 percentage points higher. Similarly, advances growth again is higher than both industries, the set of 10 banks as well as SCBs by a significant margin. So we have been gaining market share while keeping our margins intact or improving. In fact, margins have been improving as you will see in the next slide.

So if you look at margins again, we have had improvement in both yields as well as having a reasonably tight lid on cost of deposits. So NIMs for this quarter, actually, domestic NIMs were something like 3.6%, which is a record for us. And overall NIMs exiting this quarter was 3.5%. For the full year, it was about 3.31%. So given the fact that the exiting quarter NIM is significantly higher than the overall for the full year, we believe that we can be fairly positive about maintaining our year-end net interest margin into the new year also as we go ahead.

Next slide, yes. So if you were to again have a look at how much have we really bettered the industry in terms of margins. So industry has improved margins by about 4 basis points for the quarter. Some banks did have a bit of a slippage. For us, they have improved by 16 basis points during the current quarter. Similarly, NII expansion has outstripped the industry, both in the quarter as well as in the full year. In terms of profitability, as a consequence of both growth and margin expansion, we have had a very robust increase in the quarter-on-quarter, quarter Y-o-Y growth, which is about 34%. Operating profit, again, has gone up very smartly during the quarter with a concomitant increase in profit before tax and profit after tax. So profit after tax at INR 4,700 plus crores plus is again a record for us.

Moving to the annual numbers, you'll find that this quarter was not too much of an outlier. And probably almost every quarter, we have been able to have a significant improvement as we have moved ahead with NII for the full year moving up by 27% and operating profit by 20%. I think this operating profit 20% is significant because, while we had been reporting profitability increases, it was mostly driven by credit costs coming down. Now we see the operating metrics also kick in. This is a function of both costs as well as revenues as we will see as we move ahead. For the full year, the profit has come out at about INR 14,000 crores, which again is the highest ever by a very, very big margin for us.

Now how do we compare in terms of profitability vis-a-vis industry? There again, whether we look at NII growth, OpEx credit costs, PAT, everything, I think, has worked out well for us. What I would particularly like to draw your attention to is the operating cost increase. I think this really has become the competitive strength of the Bank. I think there is, of course, this year's business environment is very favorable, credit costs have been trending downwards. But what was key difference for us was that while most, again, competing banks, have increased both revenues and costs in tandem, we have been able to contain our costs.

In fact, the number that you see, 13% vis-a-vis 19.6% understates the difference between us and other banks. This is because that this number -- our number is inflated, a, by the wage increase, which fully kicked in, in this particular quarter, and there were certain other one-offs, which Ian will take you through as we move along. But again, to reemphasize, we believe that the key competitive strength for us as we go through the cycle is, a, that we are growing faster than our competitors; and b, by very large margins, our cost growth is very well contained.

In terms of improving asset quality, this is something that we have seen even as we had gone through the COVID cycle. The gross net NPAs continue to trend downwards. Provision coverage ratio is very high. Slippage ratio, we had guided between 1% to 1.25%, I believe. So we are at the lower end of the range. And the credit cost, of course, has come down significantly below where we expected to at about 0.5%. I think the next slide is again something which is important because it gives you something of insight into what are we likely to see as we move ahead. So if you see the SMA figure, this used to be as high as 2%, has then been stabilized at about 0.44% - 0.48%. And this quarter, this CRILC figure has come down to 0.32%, which means that the improving trend when it comes to credit quality, in terms of future prognosis continues. And this is again driven largely by collection efficiency now stabilizing at a very high level.

So as a consequence of all this, the capital position is very, very healthy. What I would want to draw your attention to is the fact that this year was exceptional in terms of the asset growth that we saw. Despite that asset growth, despite our earmarking 20% of our profits as dividend, we have ended the year with a capital adequacy ratio and a CET1 ratio higher than what we started the year at. So if we were to now look at any circumstance in the next few years, I think we might probably again be agreed that this year's credit growth was probably the highest which we are likely to see. So assuming a moderated credit growth and profitability, which again seems to be strong, we are likely to be self-sufficient in terms of generating funds for our growth as we move ahead. And the CET1 ratio equally importantly, has actually moved up by 1 percentage point despite the dividend payment that we have done.

The next couple of slides are on, again, how we are doing in terms of digital. I think this has been the key enabler, which has allowed us to attain the twin objectives; a, to have growth, which is better than industry; and b, to have costs, which are lower than industry, and the lower costs, in particular, have been enabled by digital. Today, we have a physical footprint, which is substantially less as compared to what it was 2 or 3 years back. In terms of manpower roles, it is also lower, but nevertheless, we are able to have industry beating growth, and that's largely because a growing proportion of work is getting done through digital. It is through digital that we are able to reach our customers.

Today, bob World has got 30 million active customers. And we have done, I think our team has done a great job in terms of the penetration. But I think in terms of the leveraging of that penetration to get better cross-sell, better revenue opportunities, we are just about scratching the surface. So I think there's a lot of upsides, which is left as far as leveraging this digital footprint is concerned. Equally importantly, I think in terms of some things that we have, the metrics that we see. For instance, the best proxy for a straight through process digital loan is the e-sign, and we are #1 there. So we're the fourth largest bank, but counting all banks, public and private sector, we are #1 in terms of e-sign. So a lot of, again, positives when it comes to the digital story of the Bank.

So that's in terms of opening remarks. Thank you very much and now open to questions.

Moderator: Thank you. If you can please raise your hand, if you have a question, we'll get the mic to you and you can ask, and if you can please also introduce yourself. Yes.

Ashok Ajmera: Compliments to you, Chadha Sahab and the entire team here for the fantastic results of Bank of Baroda. I think it is befitting to congratulate and complement you. Even personally also, I think you will be presenting the results of this quarter as your last results of Bank of Baroda, and you have done a fantastic job, sir. Not only made the Bank very, very strong, the balance sheet very strong, but even the business growth in this environment where barring some small public sector banks, others could not reach this kind of credit growth and this kind of asset quality. So my compliments to you.

Sir, now the question comes, number 1 is that on the Treasury front, like I think this -- especially in this quarter, our Treasury income is INR 297 crores as against INR 1,142 crores. So going forward now when the things are easing out, I mean, the rates are also softening or rather stable, where do we see the profitability coming and the Treasury contributing to this profit more. So some color on that, our book, H2M, HTM and AFS book? And what do we see in the coming quarter the Treasury performing? How do we see it? This is one.

Second is, sir, on the employee cost, it is increasing in every bank because of the wage revision and also the additional pension. So going forward, now here it is, I think, INR 3,000 crores in this quarter as against INR 2,520 crores as far as salary is concerned, and total employee costs also increased by about INR 500 crores. So whether it is stabilized now at this, like can we take that every quarter, it will be around INR 3,800 crores or some more provisioning is to come because the -- you, of course, you control the cost overall, you said as compared to the business, but still in absolute terms, it is increasing. And similarly, the other expenses also, which is from INR 2,800 crores to INR 3,100 crores. So whether going forward is stabilized.

Now third one is on the slippages, which is more or less under control, but in this quarter increased a little bit, so -- and slippages and vis-a-vis the recoveries also. So on the NCLT, now when the things are progressing, though, of course, we again read there is some problem with the government guarantee and some issues are still there. So with the NARCL and NCLT. So some color on the, going forward on the recoveries and credit growth sustainability. So these are the few observations and some questions, sir, in this round.

Sanjiv Chadha: So I think that pretty much covers the full presentation. Thank you very much for those questions. So I'll just make a general remark and then I'll hand over to my colleagues to answer specifically in terms of Treasury, employee costs, slippages, NARCL and the rest of it. The general remark, again, I would make is only this that we have tried to construct a business and a balance sheet, which can absorb certain one-offs, which might be there because of the environment. This year, the one-off was on account of the Treasury losses because of the fact that rate increases, which normally happen for a 12-month period, pretty much got compressed in the first quarter and the results that you see are despite those Treasury losses, right?

So I think as we move ahead, and if interest rates were cycled worse to reverse, which seems to be likely, I think that is an additional upside, which is available to the banks. But as far as we are concerned, we would want to make sure that we plan again for the future without accounting for these positive one-offs. You might want to take into our negative one-offs, but the positive one-offs are what you don't normally account for when you plan for your future. Now coming to the specifics, I'll again hand it over to my colleague, Treasury first, Chand Sahab.

Debadatta Chand: If you look at Treasury, there are 3 components, which are charged to the PL, one is the interest income on the investment and then the trading profit, and third is the depreciation. If you look at the current financial year that we have declared, the increase in interest income is almost INR 5,000 crores, which is 25% increase as compared to a book increase of roughly around 15%. The trading profit is something around INR 1,100 crores, and the depreciation provided is something around INR 900 crores. So as a Bank, what you're looking to a different scenario is to how do I optimize all 3 components, right? So the moment you sum it up, the depreciation is only the negative item out of this 2 positive item. As a Bank, the only last time also we articulated that, can I create a, what you can say, delta vis-a-vis the book increase? And precisely, we have done that in this year. The interest income increase is so substantial, even if there is a dip in terms of trading profit vis-a-vis last year, the income is far more than the dip in the trading profit, right?

So that is what actually we are going to optimize. And earlier also in one of the conversations we articulated that we do have a higher FRB book, right? So that gives me a substantial upside in our interest scenario. So going forward also, 2, 3 scenarios can happen. If the interest rate goes down, then the trading profit would go up, but the interest income, again, would take slightly a beating. If the other scenario, the same way it would continue. So broadly, the contribution out of Treasury would continue the same. And our strategy would be to how do I optimize the, I mean combined contribution vis-a-vis the book increase, and that has to be higher than the book increase that you heard the stance, we carry.

Sanjiv Chadha: Employee cost, I think, Joydeep, again, this year you can comment.

Joydeep Dutta Roy: So on the employee cost, I think, while there has been an increase in the last quarter, largely, that's because of the wage revision that kicks off every 5 years for public sector banks. So we have started taking provisions for that in the last quarter and in the December quarter also. So that is a new thing which has got added. Secondly, there is -- as per the service conditions, depending on the increase in the operating profit, employees are eligible for a performance-linked incentive of some days of the year. So that again has been factored in this time in this quarter's results.

So both these are new things which have got added in this quarter because of which you would probably see a little bit of increase in the employee expenses of the staff cost for this quarter. But for the year, if you see the 11.5% increase, the net of these 2 being the one-off expenses or the expenses that have come this quarter itself, and the increase is only 5%. So that way, we are very, very well contained as far as the employee cost increases are concerned, and we see that being able to be maintained. And going forward, since now we have started the provisions on the wage increase, et cetera, and PLI also has been taken into account. So that's also baked in for the future, for the coming year also. So any abnormal increase, won't happen now.

Sanjiv Chadha: Slippages. Khurana Sahab.

Ajay Khurana: Regarding slippages and recovery. If you have seen our overall whole year, 10,100 is our total recovery as against INR 8,100 our total slippages. And in fact, the recovery in written off accounts has also increased substantially around 27% from the last year. So going forward, the trend is going to remain the same. Our recovery will be -- that is what is the guidance recovery will be more than the slippages. And also the recovery in written off account also will be almost a similar amount. And as far as NCLT and NARCL is concerned. NARCL, as of now, our -- there is no account we got settled in our bank in '22 - '23. So '23 - '24, there are 5, 6 accounts, which are under process. The process, which includes even the other ARCs also because of method it has to run through. So we are not sure that how many accounts are going to -- actually going to NARCL as of now. This is the status.

Moderator: We'll take the next question at the back.

Nitin Aggarwal: This is Nitin Aggarwal from Motilal Oswal. A few questions. One is around the loan growth. You talked about that FY '24 can be relatively moderate in terms of growth. But FY '23, we have already grown like 5% higher than the system. So do you want to talk about as to what levels of growth are you looking at in FY '24?

Sanjiv Chadha: So our sense is that the system growth might be about 12% to 13%. We would want to make sure that if it is possible, keeping the other 2 metrics of underwriting standards and margins in perspective, we might want to grow a bit faster than the system. So I think if the system is 12%, 13%, we might be 13% - 14% there or thereabouts. That's what we are as of now putting in our projections.

Nitin Aggarwal: All right, sir. And secondly, on margins, is it fair to say that margins have peaked out this quarter? And you can see the trajectory reversing from Q1.

Sanjiv Chadha: So I think what you are saying is probably correct, although let me also confess that this quarter, the margin surprised me on the upside. But our sense is that we have the overall margin over 3.31% for the full year. And we have an existing margin of 3.53%. So even allowing for some moderation, I think we should be able to protect our margins as far as the full year margins are concerned.

Nitin Aggarwal: Right. And sir, over here, if you can also talk about your international book yields and as well as the cost of deposits, overseas deposits, because there is a very big change that is happening quarter-on-quarter on both the aspects. So where do you see this settling somewhere and what is really driving this big move?

Sanjiv Chadha: So I think when we look at our overseas book, we look at it in 2 perspectives. One is, of course, in terms of how the overseas opportunities are in the context of the domestic market. Last 1.5 years, the overseas opportunities were more attractive. So we allocated more capital there. I think now possibly time has come when we're looking at in line growth. But as far as the profitability is concerned, the broad calculation that we have is, we have a net interest margin of 2% there, right? But our operating cost there is less than 20%, which means you are left with 1.6% post operating cost. Credit costs are negligible, right? And we have seen this right through. We have tested our portfolio in terms of interest coverage. We're very confident of that. So effectively speaking, you are ending up with an ROA, which is higher than the domestic book. So as the domestic conditions become more benign, there are more opportunities, particularly on the corporate side, we believe that probably on the domestic side, the opportunities are going to be as good or better. So we would expect in-line growth as far as the international book is concerned, but the international book for us is not margin dilutive at all.

Nitin Aggarwal: All right. And sir, lastly, we have been having a very strong asset quality. This quarter, we reported a very sharp decline in provisioning, so did we not think to make some extra contingent provisions this quarter because the ECL requirement will be taking in some time and even the troubled airline and the other exposures are there. So did you not think about making some extra provisions.

Sanjiv Chadha: If you have think, then we have to think also. But let me put it this way, I did again, I omitted to mention it. So this year, we have made INR 500 crore provision for the airline account, although it is a standard asset for us. So we normally do not discuss specific accounts. But in this case, there is an NCLT filing. So there's information in the public domain. Apart from what is guaranteed by the government, our exposure is about INR 1,300 crores. And we hold again tangible collateral security, not primary security. Primary security coverage is full. We have tangible collateral security and corporate guarantee, which is nearly about INR 1,000 crores, so we have made sure that we are more than well provided for any possible downside as far as that account is concerned. So we have taken your advice. Thank you very much.

Nitin Aggarwal: And do you also want to clarify the ECL provision requirement number also?

Sanjiv Chadha: So I think that's something which is still in the realms of future RBI dispensation in terms of what do you calculate, how do you allocate provisions, whether you can hold them and then draw upon them when the requirements come in? So we shall wait for that. But let me just put it this way. So in our view, the normal cycle credit cost should be about 1% for us, right? As of now, we are below that. I believe that whatever ECL requirements might be there, we should be able to absorb them within this figure so that the current trajectory of profitability that we have that remains intact.

Moderator: Saurabh had a question.

Saurabh Kumar: Just one question. On the subsidiary business, there was some news that you are looking to do something with the credit card business. Can you talk about that?

Sanjiv Chadha: So Joydeep?

Joydeep Dutta Roy: So the credit card subsidiary, I think we have started a process to get in some investors. We're looking at both strategic as well as financial investors, who could add value to the company as it moves on its growth path. And I think the company has been doing pretty well over the last 1 or 2 years, as you would have seen. And in the last year, I think our credit card company in terms of growth, registered the highest growth in the industry, among all the credit card issuing banks in terms of growth percentages. So its growth rate was somewhere around 76%, but as industry average was maybe just around 14% or so. So that's the growth that the company has shown. And in terms of the investor process, I think we are in the midst of the process. We have got a fair amount of interest from the market. There have been some investors who have applied. We are going through the diligence process. Our data room has been created where the financial and the legal diligence, et cetera, are going on. And after completion of that process, we will probably be able to announce the investor. Thank you.

Moderator: We'll take a couple of questions from Zoom, Mahrukh, you had a question.

Mahrukh Adajania: Sir, congratulations to you and your team on a very strong set of numbers. Sir, just had a couple of questions. Firstly, in terms of your personal loans, of course, that portfolio has done very well in terms of growth. But are there any niche segments or niche areas that you cater to? Of course, I am looking for the breakdown between salaried and non-salaried, but even within that, if there's any particular geography or any segment of customers that you would be targeting because this is a very competitive segment already?

Sanjiv Chadha: So thank you, Mahrukh. Thank you for joining us. So I think for us, this is still a portfolio, which is in its infancy. So the Bank had invested again in a data lake, some years back. Now we are able to put all that data to use to identify the right customer and also to determine the kind of exposure we might want to take on that customer. So it is pretty much driven by data analytics, which takes into account everything, including, again, the profile in terms of employment, the kind of transactions that you have, et cetera. For the moment, again, we are fairly satisfied with how this portfolio is performing. I think if you would look at the analyst presentation, you will find one data point which might be useful that if we look at NPAs in the home loan segment, they are about 1.5%. Currently as we speak, we do acknowledge that this is a growing portfolio, not fully seasoned but currently, as we speak, the NPAs there are about 0.89% odd. So for the moment, the portfolio is performing very well. And our loans are limited only and only to our existing customers, who have their accounts with us as we speak. As the account aggregator opportunities presents itself, we might want to go beyond our customer base. But in terms of our own customer base, to my mind, there are enough opportunities for growth in the next few years. So for the moment in terms of customer profile, all of these are BOB customers, and our choice is based upon the analytics that we derive from our data lake.

Mahrukh Adajania: Okay, sir. And I just had one more question. On this particular airline account, was it in SMA category in the previous quarter because you talked about a stress group in the previous quarter.

Sanjiv Chadha: So I think, to the best of my knowledge, there were no irregularities in the past. But the fact is that I think all of us are aware that this sector has been under stress. There are some airlines, which again are either backed by a large group or again, our market leaders. So there were some vulnerabilities that we were aware of. But I think the current challenges have come in some ways, from circumstances, which actually go beyond our market. I think the company has gone on record talk in terms of engine availability and those kinds of issues.

Moderator: Rakesh Kumar, if you can please unmute yourself.

Rakesh Kumar: Sir, just a couple of questions. One is relating to a couple of notes of accounts there. And just to reconfirm, what is the total standard stressed account number that is INR 10,000 crores approximately.

Sanjiv Chadha: Yes, I think, Khurana Sahab?

Ajay Khurana: Yes, INR 11,000 crore.

Rakesh Kumar: INR 10,700 crore approximately.

Ajay Khurana: Yes, it is INR 11,000 crore.

Rakesh Kumar: Okay. And the provision thereon is 10.7%, sir? Provision outstanding on those standard accounts?

Ajay Khurana: Those standard account provision, total provision...

Rakesh Kumar: No, the stressed standard account provision is 10% -- around 10.7%?

Ajay Khurana: See, are you talking about restructured account or the standard stressed account, SMA? SMA, we do not provide anything.

Rakesh Kumar: No, restructured numbers, what is there in the notes of accounts, couple of notes accounts. So there, the outstanding provision is 10.7%, just to reconfirm, sir.

Ajay Khurana: Total standard provision is INR 5,800 crore.

Rakesh Kumar: So excluding the provision for the standard account, the provision?

Ajay Khurana: It is all inclusive. All inclusive, accounts, which are standard, and the provision is INR 5,800 crores. Specifically, for SMA, we do not provide any account-wise, no provision is provided.

Rakesh Kumar: Okay. And secondly, sir, referring to the notes accounts number 15, there is a lot of reduction that we have seen from Q2, so similar notes of accounts, number 15 in Q2 and for Q4, there is a lot of reduction that we have seen in the exposure. So do we see further reduction in that number, the stressed account number, which was under resolution? And what is the impact of this reduction on the interest income line in this quarter?

Ajay Khurana: No. As far as restructure is concerned, restructure our book is reducing. Last year, it was INR 18,500 crore last quarter. This quarter, this is INR 16,000 crores. Overall, the stress, which was 4.67%, other than NPA, it has been reduced to 2.97%.

Rakesh Kumar: Correct, sir. So we see that there is a lot of reduction in the provision also that we have seen. So is there any impact on the interest income line also of this reduction?

Ajay Khurana: No interest income because provision is here, these are all standard accounts and interest is booked, so there is no risk of any impact on interest income.

Rakesh Kumar: Correct. Okay. Got it, sir. And sir, on this wage revision thing, like a total provision outstanding is only INR 500 crores. So we have made an additional INR 300 crores this quarter. That's it.

Ajay Khurana: Yes.

Moderator: Thanks, Rakesh. Who else has -- I think right, there.

Unknown Analyst: Hats off for an excellent performance to the whole team. A couple of things. In fact, you answered most of the questions. A few things on this wage revision, which comes every 5 years, you mentioned you have made a provision of INR 800 crores. What is the expected hike? And when is the agreement going to happen, if you can give an indication itself?

Sanjiv Chadha: So I think, Lalit, possibly? This toughest question goes to the newest ED.

Lalit Tyagi: So it goes like that. So there is one calculation, which goes into mind as what was the percentage in the last hike and what are the expectations going forward? That is one. The second one is that the provision, which we have booked in this financial year is for the 5 months only because the wage revision is due from first November 2022. So going forward, as the discussions progresses, we may build in the incremental provisioning as the discussion with the industry progresses. But as of now, we believe that we are adequately provided in terms of the anticipated wage hike.

Unknown Analyst: What was the last increase 5 years ago?

Lalit Tyagi: It was, if I am correct, around 15%.

Unknown Analyst: Okay. No inflation coming down, possibly it could be lower, right?

Lalit Tyagi: It's difficult to conjecture on that point.

Unknown Analyst: Sir, next is very excellent deposit growth rate 15.1%. What do you expect in the coming year because sustainability is the key here, advances is very easy to give, and what is the cost trends for the deposit growth?

Sanjiv Chadha: So we are conscious that we might be coming towards the end of the rate increase cycle. So we have tried to make sure that the incremental deposits are such that they can, again, get repriced should the interest rate cycle turn. So most of our deposit growth which has happened, CASA apart, has come from deposits with a maturity of 399 days, which is a flagship scheme, where we offer the highest rates or lower, which means that even if the interest cycle were to change, we have not tied ourselves into a scenario where we might, again, find that loan yields are coming down and deposit yields are stuck. So we have enough flexibility built into the balance sheet.

Unknown Analyst: So the number for the deposit growth ahead, some kind of indication.

Sanjiv Chadha: So I think for us, we would expect that again, as a general proposition, you would want to fund your loan growth entirely from deposit growth. This year also, despite the fact that deposit growth was challenged, rupee to rupee, our loans have been funded entirely by incremental deposits, and that's what we would want to continue, which is why you find that the domestic CD ratio, despite the tightness in the market, is just 75%, and there's enough room for growth there.

Unknown Analyst: On this airline account, which we mentioned, we have been very ultraconservative. In fact, you gave the number. And being a standard account, and in fact, the industry is doing well. Now looking at a worst-case scenario, what the company says, there are a lot of collaterals you mentioned, corporate guarantee, of course, is difficult to implement but this collaterals and land. What will happen is what you have provided, ultimately, it'll come off in write-backs and recoveries with the actual profits in the coming year, right? These collaterals they have, what is the time frame it takes to monetize this collateral because they're talking about land, primary land in prime areas, like Worli, plus extra, you may be having specific known to you. What is the time frame to monetize this thing? Particularly the real estate cycle is very good now.

Sanjiv Chadha: Yes. So I think that's a hypothetical question. But from our perspective, we just try to make sure that whatever is the downside since you have room to make provisions, you do that. If this account had not been there, we probably may have made a general provision anyway. So it's really, again, so why our credit cost at 0.53% today. It is because whatever you could anticipate for the future, you took care of it in the past. So that's what we continue to do. But in terms of specific recovery cycles, I think that might be possibly a too detailed discussion for this quarter, okay?

Unknown Analyst: Now lastly, on a very important subject of ECL, which was raised. Now some of the banks – this is a very sweet spot in the cycle with very low credit cost. It's the best time to make provisioning, and RBI is making us ready for it. Although they had prepared us several years back and asking, regular financial models from us compared by IFRS 9. Now other banks, like Bank of India, Can Bank, Union Bank have given us a number to ponder. Now if you can also be transparent and share the number based on the models you have been reporting. Although we know we are the best bank compared to all the banks, and we have been doing accelerated provisions, including some account we mentioned. This is excellent provision. But number, again, given the number, so what we have prepared for, that transparency we expect from you.

Sanjiv Chadha: Normally, we would not give this number. You praised us so I can't refuse so I just hand over question to our CFO.

Ian Desouza: So we believe it's a bit premature to come out with a crystallized number because the regulations itself are in discussion with RBI. As you're aware, there's a discussion paper out. Banks have responded to the discussion paper. But I'd like to make 2, 3 points and attempt to answer your question in a different way.

One is if you look at our overall financial from an asset quality perspective, you would see NNPAs have been steadily declining. They are about 0.89% is the NNPA ratio. So the un-provided NPAs are very low. Secondly, in terms of our provision coverage is around 92%. And thirdly, the stress book, which is the SMA CRILC 1 and 2, where your ECL will actually hit you is at all-time lows at 0.32 basis points.

The other thing in terms of restructured book is around our standard restructured book is around 1.5%. So these are all elements where your ECL will push and create pressure. So all these elements, I think, are working well and should track better. And having said that, maybe our number, it's an estimate right now would be in the range of 1% to 1.5% of loan book at this juncture.

Unknown Analyst: Okay. This is really very good. I have one point on this, I'll just add. You're having consultation with RBI on that. No, there are lots of thoughts, which are coming on IFRS 9, ECL and the secular-based system. Now we are moving forward from a secular-based system to a principal-based system. But we should have clearly one, secular-based system is working very well or that IFRS 9 ECL. But if there's a thought process of a hybrid system, which has not been implemented anywhere in the world. So there should be one system. I feel if you do that, it will help a uniformity across the system and wishing you all the best.

Moderator: Thank you, sir. There in the second row. There's a..

Sharath Chandra: Yes. This is Sharath Chandra, Investment Adviser. Good that this year has been extraordinarily well. Your deposit growth has grown at 15%. Your bulk deposit rates, I don't know whatever they are, you have been able to grow at 65%. Credit, obviously, you have been able to match the industry. You showed comparison about industry and how your growth has been better. Now looking as a shareholder with a longer-term perspective, in the last 10 years, a full decade, your return on equity has been low-single digit. This is the first time that you have shown 15% return on equity, which is our expectation because as a risk capital holder, I expect a higher rate of return vis-a-vis my fixed deposit rate.

So I would like to ask you, why are you running after growth? Because bulk deposit at 65% growth is basically to match your credit growth. Why don't you just be more choosier about what things I will lend and what things I will not lend? And can you tell me that has the Board discussed and probably the management team has discussed is target return on equity, which you have in mind because if that is not in mind, this is a good period. And so that's how you've made good money. And so that's why the stock price has gone up and it's first time trading at more than 1x price to book. If you can tell me if there is a target which you have set in, what are the cultural and structural changes which has happened in the last couple of years in the bank that I'll be confident that you'll be able to maintain that double-digit return on equity. Thank you and all the very best. Apologies if I have been slightly blunt.

Sanjiv Chadha: No, not at all. I think, you're most welcome. So I think in terms of the mandate from the Board and also what we have been guiding, the mandate from the Board is that we would want to insulate the Bank from the cyclical development that we have seen, which was, as you said, responsible for extended period where returns were subpar. And if you were to go back and see what produced those subpar returns, it was largely the corporate credit cycle. So today, the corporate credit cycle is very good. It is working in our favor, but there's no doubt it will change again.

So as a Bank, what you can do is you prepare for the next cycle by making sure that you are less dependent on corporate loans as compared to what you were. So our corporate loan book used to be 47% - 48% of our book, to date it is down to 43%. So we believe that before the next cycle comes, if we can have a more balanced portfolio, then the kind of challenges that we saw the last time around, they are likely to be addressed. So that's number 1. Number 2, again, in terms of growth, we actually started again in my opening remarks by saying that for us, priority number 1 is underwriting standards; number 2, margins; number 3, growth. And we do not chase growth, which is why in the corporate book last year, we had a growth of only 5% because the conditions were not conducive to having growth with margins.

Third, we never take a growth target for the year. But also in my opening remarks, I mentioned that we will like to grow at industry or better, right? So maybe 1 or 2 percentage points more than that. So you try to make sure that you are not setting yourself targets where, as you said, by chasing your targets, you end up in a situation that you had not bargained for.

And in terms of the changes that have happened in the Bank, which should give us confidence for the future. I think, first of all, is the technology piece, which I think where the Bank over the last few years has emerged at par or better than probably any other bank, and we had some metrics that we spoke about. The second to my mind, apart from technology and more importantly, applying that technology again to do business is really talent. That is what distinguishes one bank from the other. And I can say it without hesitation that this Bank, public and private sector, included, is the best example of a bank, which is able to attract quality talent, retain it and use it to build businesses.

Particularly, I think the biggest risk for any bank is the CEO, right, even if I say it myself. And how do you mitigate that risk by making sure that people like the Chief Risk Officer, again, are experienced, they have industry standing, and they can give advice without hesitation. But today, as we speak, our Chief Risk Officer is a market professional with enormous experience. Our Chief Financial Officer, again, is a market professional with an enormous experience. So we have tried to build a team, which can insulate ourselves from this cycle, but we welcome any feedback, and we believe it will help us become better.

Sharath Chandra: -- target.

Sanjiv Chadha: So as you said, you give targets again and you get into the trap that you outlined for us, right? But we will try to make sure that we outperformed the market. We bow to market conditions, but we believe in any market condition, we can try to outperform the market.

Moderator: Thank you, we will take last couple of questions, I think Saket Kapur is online, Saket if you can unmute yourself and ask your question.

Saket Kapur: Sir, you spoke about the net interest margin for the next year to be in the trajectory higher than what the average for this year was. So we are looking for a band above 3.31%, and it will be lower than 3.6% that we exited for this year, that should be the number we should work for the next year?

Sanjiv Chadha: Yes. So I think what you are saying is correct. We believe that the 3.31% average NIM that we had, we should be able to protect that, which means we should end up there or maybe a little better than that, and we do believe that the 3.53% exiting NIM that we saw gives us a little bit of room to, again, make sure that we can absorb a moderating interest margin regime.

Saket Kapur: Okay. And sir, on the ROA front, sir, what should be the trajectory, we exited this year with 1.34 annualized number for the quarter and 1.03 was for the year, so what should be the ROA trajectory?

Sanjiv Chadha: So I think we had guided that we would want to hit a 16% ROE and a 1% ROA in '23-'24. We have hit that one year in advance. Now we believe we should be consolidating around those levels. So I would believe that our guidance continues to be 1%. And as a consequence, the ROE, which is as of now about 18%.

Saket Kapur: Come again, sir. I missed the number, sir, what it should be?

Sanjiv Chadha: 1% and between 16% - 18% ROE depending on what a capital base is.

Saket Kapur: Sir, now for your equity investors, sir, I think so the dividend payout is also significantly higher. Thank you to the Board for declaring a dividend of INR 5.50 per share. Could....

Sanjiv Chadha: I hope I'm speaking to analyst, not a shareholder.

Saket Kapur: I'm a shareholder.

Sanjiv Chadha: Okay. Both hopefully.

Saket Kapur: Sir, no, sir, I'm a mere shareholder, but I'm trying to learn the language and the terminologies. So the moot points as an investor, I would like to understand, firstly, sir, in the current banking cycle from where the NPA to the cleaning up exercise and now with the credit cycle and the higher interest regime, what should investors look forward in terms of they being investing in the equity of the bank, particularly Bank of Baroda in particular because these stock prices have not been the normal course. We have not seen these prices for a very long time. So how sustainable are your earnings, what is the quality of the number that will continue so that investors can contain with remaining invested. Am I connected, sir?

And sir for the ECL point also, sir, I would just like to understand, sir, what should investors keep in mind when this ECL implementation has been spoken about. There is a lot of ifs and buts about it. If you could just give for the benefit of investing communities. There's some basic understanding of what is this all about, and these were the only points.

Sanjiv Chadha: So thank you very much. I think from our perspective, we believe that as far as the banking environment is concerned, it is very benign, and we should continue to see good returns from banks as we move ahead. Speaking of Bank of Baroda, I think, while, of course, we benefit from the broader conducive environment, as I mentioned in my opening remarks, there are some special circumstances, which make BOB again, a particularly good investment. And the key differentiator as far as BOB is concerned, is on the cost side, where we have been able to contain our costs far better as compared to our competitors. So therefore, I think there's a delta, which is available to investors in BOB, which should give them confidence as far as the future is concerned.

As far as ECL is concerned, to my mind, given where we are in the cycle, and particularly, the corporate credit cost cycle is likely to sustain for the next few quarters and years. I think this has got implications which are, again, very positive, both in terms of the historical book to also in terms of ECL, in terms of the historical record on which losses might be estimated. So I think we should be able to continue to report decent profitability numbers, notwithstanding whatever guidelines come in from the RBI in terms of ECL.

Moderator: Thank you. I'm sorry, we'll have to close now. It is 4:30...

Sanjiv Chadha: I think there’s one at the back

Sushil Choksey: Congratulations to team BOB for an excellent performance. Sir, we've done a lot of transformation, whether it is digitization, human resource and we are reaping rewards today. You highlighted that we are touching a few numbers of customers from our existing base where all the loans are concerned. So if you can highlight a little -- elaborate that 5%, 10%, having reached the capabilities far higher. Secondly, a lot of facilities with BOB started over a number of years, led to this transformation. So without getting into details, can it lead to a substantially higher income within Bank. Second thing, we are doing a lot of digitization where SME loans up to INR 1,500 crores are concerned and most of the PSU banks have lost their market share in the last 3 years in that business segment. How are we reenergizing that BOB captures those loans back from private sector and our earnings get better?

Sanjiv Chadha: So thank you very much. So I think in terms of the capabilities in the bank and what that -- how that could actually translate into better earnings and revenues. First of all, I think, as you very correctly have said there have been a lot of investments that happened in the Bank, not now, not in the last 3 years, but over the last 5-7 years, which actually are paying dividends now. Among them, I would again like to highlight two. One was, again, the investment that we made in creating a data lake, which we have been able to leverage now. If we had not made the investment then, there's no way we could have produced these results today.

Similarly, again, investments we talked in terms of the fact that in the physical footprint, manpower, we are efficient and able to contain costs. That again was because the Bank had the foresight and the management team then had the foresight to, again, invest in a shared services company, which again is taking a large part in terms of making sure that we are efficient and our expenses remain under control.

In terms of the upside of what we are doing, I'll just give you the example that today as a proportion of our loan book, unsecured loans are probably just about 2% or there or thereabout about 3%, right? About INR 25,000 crores as against the loan book, INR 9 lakh crores. Now the corresponding figure in SBI might be 5-6x higher because SBI was able to start that very many years before we did. So that is again an upside, which remains unexplored as far as we are concerned. So there's still a long runway, which is there in terms of, again, reshuffling our book, making better margins. So today, we have a 3.6% domestic NIM, but that is despite the fact that, a, the credit card business sits outside the bank; and two, the unsecured loan book is far lower as compared to some of the competing banks. So these are upsides, which are still there for us to explore as we move forward.

Third is, again, what you alluded to in terms of technology, which has now been brought to bear, mostly on the retail book. But in terms of it having a transformative impact on MSMEs that is still to play out. We have started doing that, but that is still, again, something which we are targeting relatively smaller micro MSME loans. Now for us to move that to the mid-segment, again, is an enormous upside that is available to the Bank.

Sushil Choksey: Sir, my next question is based on the global market outlook and domestic outlook, which RBI and the government is saying, the interest rate cycle you already highlighted. Do you anticipate that the loan book growth, what we see with the view of election next year would be more front-ended in the current year first half rather than the second?

Sanjiv Chadha: So tough to say. Maybe again, we have our Chief Economist, Madan there. He has been sitting quietly for a long time. Maybe we can ask him to give his views.

Madan Sabnavis: In fact, for the current financial year, we are looking at overall credit growth being in the region of around 11% to 13%. If you're asking whether it's going to be loaded in the first half or in the second half? Is that the question? Yes, we would tend to believe it will happen more during the second half. The reason being that both in terms of the consumption cycle as well as the investment cycle, whatever turnaround is going to happen, it's going to happen more likely in the second half. Okay?

So that's when we would see the demand for credit really picking up, if at all, I mean, when we are talking in terms of one half being better than the second half. So therefore, it will be happening more in the second half. This will be based on the assumption that when we are talking of consumption increasing because probably of a good monsoon that is the basic consumption, which you're making, there will also be good rural demand coming in. So as your consumption increases, there'll be higher capacity utilization, which in turn will generate greater demand for investment. That's how bank credit would keep increasing. So it will be more in the second half rather than in the first half.

Sushil Choksey: We have a lot of news about our credit card, insurance and other related services about IPOs. RRB also being spoken about. Anything we are likely to monetize partnership in the credit card, I understood. But the other wings?

Sanjiv Chadha: Joydeep?

Joydeep Dutta Roy: So I think on the life insurance subsidiary, we are on the path of an IPO. We have received the DRHP approval from SEBI in March. We have a 1-year runway to get it on the IPO. But of course, given the conditions in the market, et cetera, we are again seeing when is the right time. So we will be taking analysis of what is the right time to enter the market and then we'll go for the IPO in the insurance side. BFSL and Nainital Bank, I think the processors are on for getting a partner into both these entities. And I think we should be shortly seeing some positive results there also. So that's on the monetization side.

Moderator: We will request our Chief Financial Officer...

Sanjiv Chadha: At the end, one more, I think, we can...

Ramesh Bhojwani: Sir, Ramesh Bhojwani from Mehta and Vakil. 2 important things. One, today, the wholesale price inflation has fallen to negative, and the retail price inflation has come down to 4.9. And RBI on June is very likely to announce a rate reduction, maybe 25 basis points, if not 50. And if we have a good monsoon, this reduction of rate cycle will continue going forward. In this situation, how is the Bank looking at the overall rate cut scenario, number one. And the second question is little elementary or little away from this. Sir, no bank has taken steps to reevaluate their assets, which are long-standing in their books when they were made. Are we looking at revaluation of our assets?

Sanjiv Chadha - Managing Director and CEO: So I think the first question, I'm not sure whether June is the time when there might be a cut, maybe Madan can talk about that. But you're right that we probably are again at that inflection point where the cycle is going to turn. And it's a very relevant question, how are we, as a Bank, prepared for that cycle. Now this is something we have been acutely conscious of when we were constructing our liability portfolio. So today, the major part of the incremental growth that we have seen in our liability book that has come from liabilities, which have tenors of 399 days and below, right? So which would mean that should the interest rate cycle change, we are very well insulated from any adverse impact on our book, right? So the second part again was, I'm sorry, just lost that.

Unknown Analyst: The revaluation of assets.

Sanjiv Chadha: Revaluation, I think that's something the CFO can, along with his thank you, maybe he can address the question.

Ian Desouza: So, like all the organization, you mentioned, we do have a policy for that, and we do it once in three years.
So coming to my closing remarks. Thank you, everyone, for coming for our in-person session. It's not always easy to travel in Mumbai. Thank you for being here. And look forward to seeing you again in the next quarter. Thank you so much.

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

16th May 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 Mr. Sanjiv Chadha – Managing Director and CEO of the Bank. He is joined by the Bank's Executive Director and the Chief Financial Officer. We'll start with brief opening remarks by Mr. Chadha, and we have a short presentation, followed by the Q&A session. Over to you sir.

Mr. Sanjiv Chadha: Thank you very much Phiroza, and a very warm welcome to everybody here. Very grateful that you have been able to make it and join us. So, let just begin by introducing my colleagues.

To my right we have Mr. Ajay Khurana- Executive Director who is in charge of Retail Banking. To his right Mr. Lalit Tyagi who looks after International Business and most of our platform functions, including Risk & Compliance.

To my left is Mr. Debadatta Chand, Executive Director in charge of Corporate and Treasury, and our Managing Director designate. To his left we have Joydeep Dutta Roy who looks after Digital, IT and also all our subsidiaries and to my extreme left we have Mr. Ian Desouza, our Chief Financial Officer.

So, I'll just take maybe about 7-10 minutes max of your time, and then we'll open it to questions.

Moderator: Show the PPT please.

Mr. Sanjiv Chadha: So, we did, for the first time this quarter, declare the number in terms of business in advance, immediately after the quarter ended. So, you would be familiar with them. But just to refresh your memory, and to bring both, the business numbers and the margins in context, I'll start with the business numbers that you see before you. So, we have been guiding that for us, in order of priority, the most important is underwriting standards and credit quality. Thereafter, margins and thereafter, growth. We'd also guided at the beginning of the year that we believe in this year it should be possible to not only have a margin, but also to get growth. So, we are pleased that at the end of the year, we have growth which has been good, better than our guidance, and also better than the average for the industry.

If you look at the advances in particular, they have grown very handsomely. The global advances have grown by 18.5% and international has been an outstanding performer here growing by 30%. For those of you who have been following numbers in detail, would recall that international had grown by 40% towards to middle of the year. It has come down a little bit, and we believe that the trend should accelerate. The reason why the international book grew faster was, that last year, the opportunities of getting margins on corporate business were limited. So, we grew international more. Going ahead, next year we would believe that international would grow broadly in line with the overall loan growth as we go ahead.

What is equally gratifying for us is that, in terms of the composition of growth, Retail is the one which is the standout performer for us, right through the year, growing by nearly 28% YoY over the full year. This is something, which again, has been a matter of deliberate strategy and our board mandate. We have been guiding that it would be our endeavour, that is growth is X, we should make sure that our Retail growth is about 1.5X, and Corporate

0.7X. As you will see in the numbers, the numbers have panned out exactly on that basis, which has meant that progressively, our balance sheet has become more retail oriented. This, I think, will de-risk the balance sheet as we go ahead also, because relatively speaking, the proportion of retail was low for us. The second part is, even if you look at delinquencies, delinquencies have been the lowest in the Retail segment for a long long time. So, this also means that if you were to look ahead, the asset quality should also improve as the composition of the growth changes.

If you look at Retail growth, again, it is very diversified, and each of the segments is growing pretty fast. That's again a matter of much satisfaction, because we recognise that there are cycles. There may be times when some segments growth is fast, but you have all cylinders firing, you can be much more sanguine in terms of the fact that the growth is sustainable. The slowest growing segment is really mortgages and home loans, which is again at 18% plus. And, some areas like retail personal loans, continue to grow extremely fast at 100%, that's at a relatively low base. But nevertheless, it has now become a size where it is contributing to margins very handsomely.

If you look at the last quadrant, you'll find that the growth in disbursements is even quicker, which again augurs well for the longevity of this growth. Next slide.

Deposits has been a challenge for all of us this year. Here again, the Bank actually has outperformed the market by a significant margin. And equally importantly, the difference between deposit growth and loan growth, which for some Banks has been a proportion of 2:1, is marginal for us. Deposits have grown by 15% against a loan growth of 19% odd. This means that, if you look at the CD ratio at the end of the year, and the material CD ratio is the domestic CD ratio, because that is driven largely by deposits as a resource, unlike international business where you actually raise MTN and the like to fund the business. So, domestic CD ratio, even at the end of this year, is just about 75% which means, there is plenty of headroom for us to grow our loans without being constrained by deposits, in any manner whatsoever.

The international growth, again, has been funded almost on a 1:1 basis by deposits, which is remarkable. So, you'll find that the CD ratio in international has remained constant through this period. Domestic CASA, again, has grown by about 8%, which might be system or little better than that, and term deposits growth has been faster, which is completely understandable when rates are picking up, because the differential between the savings rate, which is sub 3% and the term deposit rates which move up to 7.5-8% is very substantial, and even lazy people like me, might want to move their deposits from savings bank to term deposits. Next slide.

So, if we were to now compare our growth with industry, just in terms of numbers, what we have done is, we have compiled the results of all the banks which had declared their results up to yesterday, and you find that we have outperformed the industry significantly. Again, you might recall our guidance, that it is our endeavour to make sure that we grow at industry plus. We don't target a particular number in terms of growth, but we are very very keen that we protect our market share, and we have, again, outgrown the industry by a substantial margin, when it comes to schedule commercial banks. So, the middle slide is the top 8 banks, public and private sector. The slide on the side is all banks. So, I think the outperformance is significant there. Next slide.

So the good part again is that we have been able to protect and improve our margins along with growth. As I told you, for us in order of priority, margins come first, growth comes later, and therefore, again, the margins are something which actually have improved. In some ways, the margins have been a bit of a surprise for me. You might recall, when we had met at the end of the last quarter, my own sense was that, now that the lag between the deposit pricing and the loan pricing is gone, we should find again margins stabilising. But, we actually have been surprised by the continued improvement this quarter also. While some banks actually have reported a sequential decline in margins, we have seen a very very smart uptick in margins this quarter also. Next slide.

So again, if you see the margins compared to the industry, just to put the numbers in stark relief, so our margins sequentially have grown by 16 bps as compared by industry, again top 10 banks, private and public sector by 4 bps. Similarly, the NII expansion is also substantially faster as compared to our peer group. Next slide.

This is the quarterly profitability. So, as a consequence of the smart growth and also the margin improvement, profitability again has shown a very sharp improvement. And for the quarter, you'll find it in all operating metrics, whether it is Net Interest Income, Operating Profits, Profit Before Tax, Profit After Tax. We actually have had a record quarter by some margins. The Profit After Tax is about 4,800 crores, which again, given that we are exiting the year, gives us some comfort in terms of how the next year might be for us. And, the Operating Profit also, that is up significantly, and even again as we see, YoY by 20%. So, the uptick that we see is derived from very very strong growth and operating metrics.

This is the annual profitability figure. So, we ended up with a Net Interest Income growth of 28%, Operating Profit, as I mentioned, 20%, and PBT and PAT again are up by a very handsome margin, Profit After Tax by nearly 94% at 14,000 crores, which for us, by a very very long margin, is best we have ever done. And we see, in terms of ROA and ROE, it translates into very significant numbers. Next slide.

So, if you were to compare us again with the industry, here again you'll find that almost in every metrics, we are outperforming the industry, including again, Operating Expenses. I think this is something which is really significant for us. I think we are one bank which have not grown our physical footprint. In fact, it has substantially shrunk as compared to 3 years back. Our manpower numbers are also very well contained, which is why, consistently, the growth in Operating Expenses has been much lower as compared to the industry. And, this, you might say, is still a bit of an overstatement in terms of the Operating Expenses, overstated on two accounts. One is, that of course, the wage revision which happens once in 4-5 years for public sector banks. This quarter was the first quarter where it was fully reflected. And then also, again, there are some other one-off expenses. But, even if we take this, I think we are pretty successful in making sure that even as we grow better than the industry in terms of revenues, the growth in expenses is much lower as compared to industry.

The last piece, if we can just go back to the last slide, is of course, the credit cost, which is the single biggest determinant in terms of the performance of a bank. We had been guiding for a credit cost of about 1%. Again, we have surprised ourselves very pleasantly, and credit cost has come out at about 0.5%. We have been guiding that while there were some residual challenges when it came to the MSME sector, but the benign corporate cycle would far outweigh those challenges, and that is what has been borne out. In our view, again, the corporate credit cycle continues to be very very favourable. In fact, if you were to look at our composition of balance sheet, corporate along with international business is about 60% of the balance sheet. And, that is where we are seeing credit cost as virtually negligible. So, I think, this improvement that we see, we believe is sustainable as we move ahead.

This is the asset quality number, where again, we have seen consistent improvement right through the cycle, even during COVID. Now we have reached a stage where, because of the fact that credit cost is low, we are finding that NPAs have almost stopped growing. Which means that, even if you were to ignore any write-offs, the recoveries we are getting are more than the slippages which are there. Slippages have come down to about 1%, they used to be as high as 3%. So, I think in every way, whether you look at Gross NPAs, Net NPAs, Credit Costs, Slippages, in all metrics, the quality of the book is absolutely first rate. There is an additional metric which is there, which I think we'll discuss again, in terms of how the numbers look like in terms of SMAs, which would again tell us that not only are we currently in a very good place, but even if we can peer into the future as far as we see, we seem to be in a good place in terms of future trends.

So, this is again, what I was alluding to. You might remember that in terms of the CRILC numbers, they used to be pretty high, as high as 2% about 1.5-2 years back. This has come down progressively and today stands at 0.32%. And, this largely is on account of the fact that we have put in again a very efficient collection machinery. We brought in a market professional who has built a very very efficient department, and therefore, you find that quarter after quarter, the collection efficiency is 98% and above.

Because of the improved profitability and despite the fact that the growth we have seen is record, we find that our capital ratios are better as compared to the beginning of the year. Let me re-emphasise that. When you are growing your balance sheet very fast, you would expect again, that you would need to go to the market for capital. But, what find is, that without going to the market for capital, and despite paying 20% of our profit as dividends which we have, we find that the year end capital adequacy ratio is better than what it was at the beginning of the year. So, what does it say for the future? What is says for the future is, that we expect loan growth to moderate a little bit, as long as we can keep our profitability intact. We need not go to the market to raise capital. And which again, augurs well in terms of dividend capital for the future also.

The second piece that I would want to draw your attention to, is the CET-1, which is the key ratio, and which is again, boosted only by profits or by raising of capital. So, without raising capital, and despite paying 20% dividend, there's been a 1 percentage point increase in the CET ratio. This is something that we'd expect to continue as we go ahead.

This is again, in terms of our digital business. You might argue that if there is one single factor which has allowed us to grow our business at the pace at which it has grown, without increasing the costs. It is the change that has happened in the Bank through the digitalisation agenda. We are today the fourth largest bank in the country. But in terms of e-signing, which is the best proxy possible to the digitalisation of the bank, we are no. 1. No. 1, including all public and private sector banks. Similarly again, if you are looking at other infrastructure usage, debit cards, fourth largest bank, second in terms of debit card issuance. So more and more, we are finding that we are able to service our customers very efficiently without depending solely on the branch network. The branch network will remain very important. But in terms of the ability of the Bank to reach our customers without them having to come to you, I think it has enormous benefits. Benefits in terms of costs, benefits in terms of customer service, benefits in terms of customer engagement, because normally, you depend upon the customer to come to you to a branch in order to cross-sell. But since you can now engage with a customer digitally through BOB World, you actually can engage with them on an ongoing basis.

So, these are the other milestones which are there in terms of what we have been able to do. And today, in terms of active customers, we have 30 million active customers on BOB World. So, that's something which is growing. Now, it is for us to see how we can leverage this connect with the customer more efficiently. To my mind, over the last 2 years, we have made great progress in achieving penetration of BOB World. But, in terms of using BOB World to sell to the customer, we probably have only scratched the surface, and there's a lot more which we can do with this instrument of customer engagement.

That's it! So good! Thank you very much.

Moderator: We'll now open it up for Q&A. So, if anybody has a question, please raise your hand, we'll get a mic to you. I think Joel.

Mr. Joel Rebello: Hi Sir, I'm Joel Rebello, I work for The Economic Times. Your credit costs have come down, slippages were expected to come down. I think you mentioned in your presentation that it's sustainable because of your large corporate and international book. Can you please elaborate on what is the expectation going forward? Is this 0.5% really sustainable?

Mr. Sanjiv Chadha: So, I think the point was that, if you see where we are in the credit cycle and where is improvement coming from, and for most banks, the corporate cycle is benign. For our international business, if you'd look at the last 2-3 quarters, there were virtually no slippages. So, since in terms of our composition of balance sheet as compared to some others, it was, you might say, a handicap when the corporate cycle was adverse to have a balance sheet which was 60% corporate and international. Today, it's an advantage. So therefore, it becomes a competitive advantage for us. We're not saying this is what we want to be forever.

We do recognise that cycles turn, and in the long-term it makes much more sense for us to have a more retail-oriented balance sheet. In fact, the composition, if you look at the balance sheet and if you look at the detailed presentation, you'll find that the percentage of retail has gone up by 2 percentage points. But, given where we stand in the cycle today, it is something that gives us enormous comfort and support when we look ahead at the medium term, that we can actually sustain this kind of credit costs or this kind of slippage ratios.

Mr. Joel Rebello: In the next 6-8 months, do you think it will be at 0.5%? Do you think that there could be some increase in the cost?

Mr. Sanjiv Chadha: So credit costs, we are, as of now, guiding should be sub 1% and we believe that should be the long-term structural rate for the Bank. That is what we are guiding and we believe that's something we can deliver.

Mr. Joel Rebello: Just a sense on your recoveries, because the drop in provisions, increase in credit costs has played a very important part in the results today, besides of course, the loan growth. So, just a sense on your recoveries, your upgrades and what are the trends that you're seeing, if you can drill down a little bit on that?

Mr. Sanjiv Chadha: Khurana sahab,

Mr. Ajay K Khurana: This year, the recovery is of 10,000 crores and TWO recovery is 3,200 crores. And, our upgradation is more than the previous year, and we are expecting that, one is, overall our target is, our recovery and upgradation should be more than the slippages. So, if slippages are going to be controlled, this is of course, it will be a lesser one, but still it will be more than that, is what is our overall target. Last quarter recovery? Overall slippages? 2,800 was the recovery, and 2,100 is the slippages.

Mr. Sanjiv Chadha: So effectively, the implication is that, even if there were no write-offs, the Gross and Net NPAs keep on down, because your recoveries are more than slippages, which is what Khurana Saab is guiding.

Moderator: Thanks Joel. Vishwanath, you had a question?

Mr. Vishwanath Nair: Sir, in one point in your presentation you said that the NIM as a surprise, the NIM growth was a bit of a surprise. I'm just curious to understand where this is coming from? Is this your personal loan book adding to the margins, is it largely that? And the other part of that question is also that, there is going to be some amount of deposit rate increases still, right? Going ahead, you still have to raise deposit rates. How soon will this growth sort of normalise, according to you

Mr. Sanjiv Chadha: Why again it has surprised us is, because I think, in terms of the pressure for rate of deposit growth, I think it had eased a little bit. If you were to see announcements of banks in terms of deposit rate increases, there are not as many as you saw a couple of quarters back. The other part is, if you also look at the stance of the central bank, that also seems to indicate that we might be somewhere near the tip of the cycle. Third, apart from the pricing of deposit and advances, there are other levers which are there, which you cannot predict, again, because they depend upon the macro economy. For instance, in our case, the fact is that, corporate loans, where there was a challenge in terms of pricing, now we are able to get much better pricing power. Also, we are able to grow the corporate loans much faster. The growth was about 6% I think, last year, now this year it's about 13%.

Third, in terms of the out pacing of the international book vis-à-vis the domestic book, that is something which is likely to dissipate. The international NIM today is about 2%, the domestic NIM is about 3.6% in the last quarter. So, proportion wise, if the proportion of growth coming from international comes down, the overall Net Interest Margins ought to increase. Fourth is, the point you made in terms of the unsecured personal loans, which again, is contributing very significantly in terms of margins now. So, this year, the growth in unsecured personal loans, was I think at the odd of 15,000 crores there or thereabouts. So, 15,000 crores of unsecured personal loans will probably give you a Net Interest Income which might be equivalent to maybe 50,000 crores of home loans. So, it's a very significant benefit that we are deriving from that. And, this is because the proportion is going up. And, this proportion is likely to keep on increasing over the next few years.

Fifth, it is on account of the fact that 60% of the book is priced at… sorry, 60% of the book is priced at 1 year MCLR. Now 1 year MCLR, you get the benefit of that for a full 12 months after the last rate increase, right? So, that is again, something which is likely to play out as we go ahead. So, we believe that there are some levers which are there, but again, the fact is that that major benefit that was to come from the lag effect is gone. Which is why, what are guidance was, we have been pleasantly surprised. But we believe, that going ahead, margins growth will now moderate. The only reason why we remain optimistic is that, our full year Net Interest Margins is 3.3 odd. The existing Net Interest Margin for the quarter is 3.5. So, we believe that even if there's some moderation, we should be able to protect this 3.5 exit margin that we have.

Mr. Vishwanath Nair: The other question I had was with regard to your NBFC credit, and that's shown some amount of growth as far as the corporate book is concerned. You've given the breakup of what is AAA and what is AA and all of that, great! I just wanted to understand still, if this push to NBFC credit is something that is going to continue for a fairly long period of time, or is that something where you'll probably take a call in the coming quarters?

Mr. Debadatta Chand: See, NBFC as a segment has the intermediary business in terms of reaching out to customers where we aren't present. And, this is one way, but we're quite conscious of the fact that there is a percentage we need to keep in our book. So, in that way, we do have the risk metrics therein. It can grow definitely, but again, on the overall portfolio we need to be quite balanced. If you look at the last growth vis-à-vis the outstanding growth, the growth has been balanced. Yes, in NBFC the percentage is slightly higher, but in terms of other sectors of the industry, the growth has been fairly stable. So, it would continue, but not to the extent where you think that it would be slightly outpacing any other growth in any other segment.

Mr. Sanjiv Chadha: So, I think, as Chand Saab said, if you look at the detailed presentation, you'll find that the percentage NBFC loans to the overall portfolio is exactly the same at 13.7% odd. So, the stance remains that this is an important business, we would want to do that. But, we are not dependent upon this particular segment for growth. So, we want to make sure that it remains moderate, calibrated approach to NBFC lending.

Moderator: We have few people who have joined us on Zoom. If you have a question, please raise your hand on Zoom or type the question in the Q&A box, and we'll come to you. Anybody else? I think Ankur has a question.

Mr. Ankur Mishra: Hello everyone. Ankur Mishra from ET now. Sorry for my bad throat. I want to know about the lending growth. You have mentioned that there will be a moderation next year. But given the fact you have also said that you are not looking to raise capital, how much of the loan growth is actually possible with the current capital?

Mr. Sanjiv Chadha: So I think this year, as you might say the base case, right, so we have grown our loans by 19%, not raised capital. But nevertheless the CET ratio has gone up by one percentage point. So the corollary is that even if you were to grow at 18-19% we can actually generate the accruals internally to fund that growth. Next year, I think the market consensus is that probably growth will be near 12-13%, early teens. We would want again to make sure that we grow a percentage point two faster than that. So that takes us to about 13-14% range, which we can very clearly fund ourselves through internal accruals.

Mr. Ankur Mishra: Okay. Another question I wanted to ask about your exposure in Go First which, ever since the company has filed for insolvency, I want to know that have you already made provision for that. How are you guiding for that?

Mr. Sanjiv Chadha: I think my apologies, I had promised myself I'll address the question right at the beginning, so we don't have question on that. But I forgot that. So our stance always has been that we are proactive in taking any provisioning which is required, which is why you find credit cost has come down. Because we again identify issues in advance and make sure we take provisions. Now, normally we do not comment on any specific account. In this case we will make an exception because the company has made a filing and therefore again there are figures which are public knowledge. So the company has indicated that they have exposure to BOB about 1300 crores. This does not count exposure which is guaranteed by the government. And of this exposure about Rs. 1000 crores is collateralized by way of tangible collateral security and by way of corporate guarantees, right? And we have in this quarter, gone ahead and made a provision of Rs. 500 crores for this account, which means any potential downside has been fully taken to account and we are completely protected as far as this account is concerned.

Mr. Ankur Mishra: Thank you so much.

Moderator: Thank you. Hamsini?

Ms. Hamisini Karthik: Sir most of my questions would be around the pages 11 and 12 of your presentation. If I look at your deposit growth, bulk deposits on a Y-o-Y basis have grown up by about 60%. Retail deposit growth is in single digit, about 2-3% or so. Would this change as a strategy for you all in FY24? And is that also another reason which helped you maintain NIM at around 3 ½%?

Mr. Sanjiv Chadha: So at the end of the day, your strategy, whether it is on the asset side or on the liabilities side, is a function of market conditions. One is of course, that we tried to make sure that you calibrate the bulk deposit to what the market conditions are. So two years back, we were surplus in terms of liquidity, so we quickly paid down our bulk deposits. So the growth you now see is pretty much a replenishment of the bulk deposit figures that might have been there about a couple of years back. That's one.

Number two, as a strategy, we have tried to make sure that the current elevated interest rate regime does not compromise the future profitability of the Bank. Now, how you can do it is through two ways. One is, you make sure that the term deposit growth is targeted relatively at the short end, so that should there be a correction, the Bank is not hooked into a high interest rate regime. So our flagship scheme in terms of retail term deposits is 399 days, which you might see again on the posters. Now, that means that within one year you can reprice those deposits.

Similarly, bulk deposits by definition actually have tenure up to one year and you are able to get it at rates which are pretty much similar to retail deposit rates. So bulk deposits have been again a matter of conscious strategy because the maturity profile of these deposits suits us and the cost is also something that works well for us, which is why you find the margins where they are.

Ms. Hamisini Karthik: So is it a part of your ALM strategy then that you decided to grow your PL and Gold loan faster? Because these are short running books. PL, I presume, has doubled in over a year, although on a very low base, relatively.

Mr. Sanjiv Chadha: Yeah. So again, actually for us, the home loan of course, is the core of the retail franchise. That's 70% of all retail loans, and unless you grow these quickly, you cannot grow overall. This was the Achilles heel for us. A year back we were growing home loans at 12-13% and therefore that put a ceiling to our growth in retail loans. Now that home loans are growing at 19%, you can actually have a retail organic growth at 27%. So that's strategy because that's core for us. In terms of retail personal loans, this was an outcome of the technological advances that we have been able to make as a Bank over the last few years. The fact that you actually have Bob World and you can reach out to customers without again, they coming to your branches meant that you can actually reach out to a far bigger body of customers. That's A.

Secondly, again, the Bank had invested in data lake quite a few years back. Now we have been able to leverage that data lake to again analyse a customer base and make offers to customers while making sure that although they are unsecured, the credit risk is something which is well contained. I think somewhere in the presentation, we have also given the delinquencies in our portfolio. Home loan NPAs are 1.5% as far as I recall from that slide and in the case of unsecured personal loans, around 0.89% or something, right? So which means that you are able to have good margins, you are able to have, as you said very correctly, a favourable ALM profile and you also, again are having good growth there.

Ms. Hamisini Karthik: Last question sir. There is a little bit of trouble in the fintech space. I'd like to understand what would be BOB's exposure to fintech, both through equity as well as debt on a consolidated basis. Are you beginning to become a little prudent on your exposure to the fintechs as well?

Mr. Sanjiv Chadha: So I think we don't really have too much exposure to fintechs again at all as far as I'm concerned. But we do believe that fintechs are very important partners for us in terms of growth, and whatever challenges we have seen first in the NBFC sector and then the fintech sector, it means we have reached a modus vivendi where again, both partners, the banks as well as fintechs know that the best option for them is to work together. So for us actually, in terms of a lot that we have been able to do, it is because of collaboration with fintech. Bob World became possible because of collaboration with fintech. Today, if we are able to have straight through processing in MSME loans or in retail loans, it's because we collaborated with fintechs again to get various data points. So we see it as a very collaborative cooperative relationship, which works well both for the fintech and for us.

Moderator: Thank you. Siddhi?

Ms. Siddhi Nayak: Hi Sir, Siddhi here from Reuters. Sir my first question is on the corporate loan growth. You said 13% was your year-on-year growth. Where are you seeing demand coming from? What sectors are you seeing this demand coming from?

Mr. Debadatta Chand: The sectors are diversified in terms of, if you look at the slide that we have given in terms of the industry growth, it is fairly balanced. Sectors like road, some of the power sector, even chemicals is doing well. There are multiple sectors where the demand is coming. Let me again, when we see the projection for next year, there is a huge in terms of the on run, actually these are all term loans given, sanction disbursement would happen in phases. So with that, the kind of growth outlook that we are giving for the next financial year, that is quite achievable. There is demand all along, may not be to the extent, but then, slightly a lower projection we have given because now we are at an elevated base and that can slightly…keeping the same growth would be a challenge. So that is what, slightly a marginal lower growth we have forecasted for the current financial year.

Ms. Siddhi Nayak: Okay. Sir my second question was on the stake sale in Bob Financial Services. What is the update on that? By when can we expect it to be concluded?

Mr. Joydeep Dutta Roy: So right now the process is on. We have actually issued an expression of interest and called for some interested investors who are interested in this. So we have got a good participation, we have got a good interest from the market. The process for the diligence etc. is going on - the legal diligence and the financial diligence. So it will take approximately a month and a half to two months or so, and that is when we want to conclude the process.

Ms. Siddhi Nayak: So by one month, two months you are expecting…

Mr. Joydeep Dutta Roy: Two months or so, the diligence part will get concluded, and then we'll have the final investors who could be taken on board.

Ms. Siddhi Nayak: Okay. So my last question is how many vostro accounts has the Bank opened and what is the amount of trade that has been facilitated with Russia?

Mr. Debadatta Chand: As far as Vostro, we do have quite a lot of Vostro opened now. But these are again on a bilateral basis. So as things goes in terms of those transactions, in case opportunity arrive then we'll let you know at that stage.

Mr. Richard Fargose: Hi, Sir Richard from Informist Media. Sir, any update on a strategic partner on Nainital Bank?

Mr. Joydeep Dutta Roy: So Nainital also, I think the same process has been adopted, as I just mentioned, for the credit cards company. So there also I think we have got interests, the diligence part is going on right now. Another two months or so of the diligence and then we'll have some answers as to who is the final investor.

Mr. Richard Fargose: Sir one more on ECL. ECL norms are on discussion now. So is the Bank prepared for the ECL?

Mr. Sanjiv Chadha: So actually, we'll have to wait for the final guidelines from the Reserve Bank to come. At the outset, I mentioned that on a stable basis, 1% credit cost is what we should normally assume for a bank. My sense is that with given where credit costs are and given where the trend is, we should be able to absorb any ECL provisions within a normalized credit cost and which means that the trajectory of improvement we have seen in the Bank's profit that should not get impacted by the production of ECL norm because the RBI has also said that it will be implemented over a period of time. But I think we'll have to wait for the exact norms to come to have more definitive answers.

Mr. Abhijit Lele: Your capital is quite healthy but coming to the AT-1, additional tier and tier 2 how much of it is coming from maturity in the current financial year and is there a plan to replace that and how much that it would be?

Mr. Sanjiv Chadha: We'll have our CFO answer the question.

Mr. Ian Desouza: So, effectively we plan to raise about Rs. 2000 crore through bonds in this financial year.

Mr. Abhijit Lele: The other is on your life insurance subsidiary filed for the listing. What would be the time frame to go ahead?

Mr. Joydeep Dutta Roy: So we have received the DRHP approval from SEBI in March and post the DRHP approval, of course now the final market, of course it depends on the market conditions. So organization wise we are ready, but again, depending on the market conditions we'll select a suitable time. We have a year from the SEBI approval so within this year we'll decide depending on the market.

Mr. Abhijit Lele: Coming to the international side, you spoke about that there will be certain degree of substantial moderation. Will it also go through some kind of a change in the composition?

Mr. Sanjiv Chadha: So, I think the composition is likely to remain as it is. We have been very clear that we value the risk diversification that the international book brings to the Bank. So therefore a large proportion of the growth that we have seen in international book that has come from global companies, not Indian companies, because then the diversification benefit is lost.

The second thing is that in terms of credit cost, I think this model has worked very well. As I mentioned in the beginning, credit costs on the international book are negligible. So if you were to look at it in terms of net terms, we today have a net interest margin of 2%. The operating cost in that portfolio is sub 20%, which means they are left with about 1.6% and on that, credit cost is very minor, maybe 25 basis points. So we actually have a return on assets which is as good or better than the domestic book. So it remains very important for us as we go forward.

But nevertheless, there's improvement in the domestic economy, in the possibilities which are there. We believe that in today's market we can possibly generate as good or superior returns. So therefore, again we would want to make sure that the share of international is moderated but the composition will remain the same because it seems to have stood the test of time. But I would again request Lalit, who's actually not only our executive director who's in charge of international banking, but he also was fundamental to the improvement you have seen. So he was in New York branch which probably has contributed 75% of the growth that you have seen. So we'll request him for his comments.

Mr. Lalit Tyagi: So continuing from where MD has left is that because of our wide geographical presence we leverage the opportunities available across various geographies and that's how we are able to generate a higher delta, what we were not able to earlier, and going forward also, the strategy will remain same. Whenever we get the opportunity to spread our margins, we will tap those opportunities.

Mr. Sanjiv Chadha: Just one additional point, I'll make, that in terms of the composition of portfolio it is the same but the geographical composition has changed. So we are emphasizing very significantly on GIFT City as a major locus for our international business. Even as we speak today, after New York, Dubai and London, GIFT City is our fourth largest international geography today. We expect that within this year it will become the third largest, outstripping London.

So that's a great opportunity because it gives us tremendous advantages. One, when it comes to our domestic clients who take dollar loans, you are nearer to them, right? Two, you are able to actually recycle the talent which has come back from international postings. You can post them to the GIFT City. It works very well for us. Third again, even in terms of other banks, all of them are making GIFT City again as a very important part of their business. So there is almost a critical mass which has developed. So, quite apart from tax efficiencies, I think Gift City is going to be an important focus for us as we go forward. So GIFT City, in terms of the overall book, I think it's about if you take deposits and loans combined, it's about $5 billion nearly now.

Moderator: We'll take one last question from here. Mayur, I think you had a question.

Mr. Mayur Shetty: Yeah, it is more of a clarification. On ECL did you all have a pro forma exercise? And are you saying that it will below 1% even if the framework was there?

Mr. Sanjiv Chadha: So the fact is that it is, again, something which is still not crystallized, right? But our sense is it's probably in the one and a half percent odd range. That is how we see it as things stand today. But as we move forward in terms of time, I think this is a figure which is likely to moderate, given where we are in the cycle. And also, since ECL provisions are dependent upon past history, as we put more distance between the exceptional COVID period and the current benign outlook that also should be a positive. Just to see again if Chand sir wants to again contribute to that apart from mine.

Mr. Debadatta Chand: No, that's fairly articulated, sir. Actually, ECL as a framework need to evolve over a period of time, right? As a Bank, the time you consider my GNPA at a much lower level and net NPA much lower, my restructured book as a book also is quite low, the stage two in terms of SMA two book also quite low. So as a Bank, we're quite prepared to have that framework, but then we'll get a lot of clarity the moment the real framework chips in. right?

Mr. Mayur Shetty: And on international, are you saying that the growth has been driven by GIFT City? I was trying to understand how your strategy is different from the past when you all had a bad experience earlier, a few years back.

Mr. Sanjiv Chadha: So I think international has two components, right? One is international as in international clients, which means global companies with India. So most of that gets funded out of New York. That is one major focus of international business. And then there is international as in Indian companies who are taking dollar loans. Now it is very advantageous to conduct that business from GIFT City. So I would believe that is how the future is likely to evolve with these two pivots really accounting for a major proportion of the wholesale business for us.

Moderator: Thank you. We'll just take a couple of questions from Zoom. There's one question from Dharini of Mint. Could you provide the breakup between floating and fixed loan book?

Mr. Ian De Souza: So, fixed loans are a very small proportion of our book. It's about 6-7% in quantum. Otherwise, it is largely floating.

Mr. Sanjiv Chadha: There was one question which was there I think in the row there.

Participant: Sir, I just wanted to understand you know how…Mr. Chand was mentioning about undrawn sanctions limits. How big is that portfolio actually?

Mr. Debadatta Chand: See that's why again, whatever term loans that we give it's not necessarily that would be availed fully in the next year, but the pipeline is quite strong.

Participant: How big is it? If you can quantify?

Mr. Debadatta Chand: We will not articulate in that way. But then I can say that the growth of let's say 11-13% that we are talking about on the corporate, half of it can come out of that on run also. There is such a large pipeline with us. Secondly, on the capacity utilizing and the working capital, there is scope for withdrawal therein. So considering the overall scenario in terms of my pipeline cases and the growth that we look for in terms of new to bank customer, a growth of 11 to 13% can be kind of outlook that we are carrying for this financial year.

Participant: And can you throw some light on NARCL? How much you recover from the accounts last financial year and going forward, what is the outlook actually?

Mr. Ajay K Khurana: NARCL in 2022-2023, there is no account from Bank of Baroda and in coming year we have 4-5 accounts in pipeline but the process is on. So we cannot give any figure for that.

Participant: Thank you.

Moderator: Okay, thank you. I'm sorry we'll have to close it now. Thank you all for joining us. Please do join us for high tea which is in the executive canteen. There'll be people to show you around. And thank you very much. We have the analyst meet at 03:30 PM, please. Thank you.

Mr. Sanjiv Chadha: Thank you very much.

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