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

**3rd February 2023**

**Participating members from the Management Team of the Bank**

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

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

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

**Moderator:** Yeah. Can we have the PPT please?

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

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

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

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

deposit growth roughly stacks up and it means that it is possible for us to continue to grow for some time our loans at a pace significantly faster than our deposits.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

non-fund-based limits, and they also take into account also undisbursed loans right. Based upon the LEF norms, the group does not figure in the top 15 large exposures of the Bank, that is factoid #1.

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

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

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

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

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

**Mr. Ashok Ajmera:** Yeah so 2.5%.

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

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

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

I think what is of interest to you and everybody else is that could there be any future impact on the Bank? Because ultimately the interaction that is going on between us is about the Bank. So, you have to understand what effect it will have on the Bank. So, what I can assure you is that from the figures that I have given you, they should give sufficient reassurance that the kind of trajectory that you have

seen from the Bank in terms of improved performance that will be sustained, there's nothing in terms of this exposure that can have any significant impact on that.

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

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

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

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

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

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

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

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

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

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

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

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

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

**Mr. Ashok Ajmera:** What is the modified duration?

**Mr. Debadatta Chand:** 1.79.

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

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

**Moderator:** Yes, Mahrukh.

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

**Moderator:** Is it standalone capital?

**Ms. Mahrukh Adajania:** Hello?

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

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

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

**Ms. Mahrukh Adajania:** Tier 1 and standalone capital?

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

**Ms. Mahrukh Adajania:** Okay. Thank you.

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

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

**Mr. Sanjiv Chadha:** That's correct.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

again the Reserve Bank of India possibly reappraising rates maybe a year from now, there could be a possibility that retail deposit rates also the current again trend might again reverse or get stabilized.

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

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

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

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

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

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

were there any particular issues and how do we intend to correct it in this coming year and what we are looking at it in this particular year?

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

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

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

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

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

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

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

**Mr. Ian Desouza:** Yeah. So, there was a recent circular of RBI that required security receipts particularly above a certain tenor to be provided as loss assets. So, we are already carrying provision

for the security receipts, but they were being held as part of the revaluation provisions, which we actually reflect above the line. So, in this quarter we reversed those provisions and we provided for them below the line in provision for nonperforming investments. In addition, there was a one-off investment for which we took provision, so the net of the two is what you see there and on P&L only the impact is about 632 crores, because one is a reclassification.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Mr. Debadatta Chand:** It's 100%.

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

**Mr. Ian Desouza:** Right.

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

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

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

**Mr. Ian Desouza:** Thank you.

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

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

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

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

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

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

**Mr. Sanjiv Chadha:** Ian.

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

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

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

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

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

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

**Mr. Sanjiv Chadha:** Confirmed.

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

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

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

**Moderator:** Yes, you are.

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

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

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

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

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

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

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

**Mr. Sanjiv Chadha:** True.

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

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

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

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

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

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

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

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

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

**Participant:** Yeah. Sure, thanks.

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

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

**Moderator:** Thank you.

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