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**Sub: Q4/year ended 31.03.2023 Earnings conference call
with Ananlysts/ Investors – Transcript.
Ref : Our Letter HO/IRC/SVM/2023-24/57 dated 04.05.2023**

With reference to above and pursuant to the applicable provisions of SEBI (LODR) Regulations, 2015, we herewith enclose the transcript of post results Earnings conference call Q4/year ended 31.03.2023 held on 06.05.2023.

The transcript of Q4/year ended 31.03.2023 Earnings conference call is uploaded on Bank's website and the same can be accessed through below link:

<https://bankofindia.co.in/analyst-conference-call-transcript>

This is for your information and records.

भवदीय Yours faithfully,



(Rajesh V Upadhyia)
कंपनी सचिव Company Secretary

Classification: Confidential Sub-Classification: Finance Confidential

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“Bank of India
Q4 FY’23 Earnings Conference Call”
May 06, 2023

**MANAGEMENT: MR. RAJNEESH KARNATAK – MANAGING DIRECTOR &
CHIEF EXECUTIVE OFFICER – BANK OF INDIA
MR. P. R. RAJAGOPAL – EXECUTIVE DIRECTOR –
BANK OF INDIA
MR. SWARUP DASGUPTA – EXECUTIVE DIRECTOR –
BANK OF INDIA
MR. M. KARTHIKEYAN – EXECUTIVE DIRECTOR –
BANK OF INDIA
MR. SUBRAT KUMAR – EXECUTIVE DIRECTOR –
BANK OF INDIA**

Moderator:

Good evening, ladies and gentlemen. On behalf of the Bank of India, I extend a warm welcome to the esteemed members of the Analyst fraternity who have joined us today. We are pleased to announce Bank of India's Financial Results for Q4 FY 23. Bank of India has reported a stellar result with a net profit of Rs.1,350 crores for Q4, which is up by 123 % YoY. I would like to thank the Management of Bank of India for being here with us today to address all of you. Shri Rajneesh Karnatak, MD and CEO, Shri P R Rajagopal, Executive Director, Shri Swarup Dasgupta, Executive Director, Shri Subrat Kumar, Executive Director, Shri M. Karthikeyan, Executive Director and Shri Sankar Sen, CFO of the bank. Thank you, gentlemen, for being with us here on the stage today. We will now begin the Analyst briefing. To start, I would like to invite Shri Rajneesh Karnatak to address this gathering. After which, we will open the floor for a Q&A session. Over to you, Sir.

Shri Rajneesh Karnatak, MD& CEO:

Thank you, Madam. Good evening, everyone. First of all, thank you to all the Analysts for coming here today in physical and also in the virtual mode. Bank of India is a 117 years of successful journey, founded on 7th September 1906 by a group of eminent businessmen from Bombay, beginning with one office in Bombay with a paid up capital of Rs.50 lakhs and 50 employees. The bank has made rapid growth over the years and blossomed into a mighty institution with a strong national presence and sizable international operations. In business volume, the bank occupies a premier position among the nationalised banks.

The Bank has 5129 branches in India spread over all states/ union territories including specialized branches. These branches are controlled through 69 Zonal Offices and 13 NBG Offices. The Bank has Staff strength of 52,000+ as on Mar'23.

Presently Bank has overseas presence in 15 foreign countries spread over 5 continents – with 45 branches/offices including 4 Subsidiaries, 1 Representative Office and 1 Joint Venture, at key banking and financial centers viz., Tokyo, Singapore, Hong Kong, London, Paris, New York and DIFC Dubai.

So you already have seen the numbers which have been uploaded. Just a key numbers which I would like to share over here. As far as the business growth is concerned, global business has increased by 9.27% year on year from Rs.10,84,910 crores in March 22 to Rs.11, 85,438 crores as on March 23.

Global deposits have increased by 6.64% year on year from Rs.6,27,896 crores in March 22 to Rs.6,69,586 crores as on March 23. As far as global advances are

concerned, they have increased by 12.87% year on year from Rs.4,57,014 crores in March 22 to Rs.5,15,852 in March 23. As far as the deposit is concerned, domestic CASA went up by 2.72 % year on year from Rs.2,45,464 crores in March 22 to Rs.2,52,149 crores in March 23 with a very healthy CASA ratio of 44.73%. Domestic advances increased by 9.56% year on year and they have touched Rs.4,31,637 crores in March 23. Overseas deposits increased by 33.04% from Rs.77,063 crores to Rs.1,02,523 crores in March 23. As far as the asset quality is concerned, Gross NPAs declined from Rs.45,605 crores to Rs.37,686 crores in March 23, a year on year reduction of Rs.7,919 crores, 17.37 % reduction. Sequentially also, Gross NPAs have reduced by Rs.1,199 crores from Rs.38,885 crores. Net NPAs have also come down from Rs.9852 crores in March 22 to Rs.8054 crores in March 23, a year on year reduction of 18.25 %. As far as the profitability is concerned, operating profit improved by 69.68% from Rs.2,466 crores in Q4 FY22 to Rs.4,184 crores in Q4 FY 23. On sequential basis, it improved by 14.56% from Rs.3,652 crores in Q3 FY 23. Net profit improved by 123 % from Rs.606 crores to Rs.1350 crores in Q4 FY23, a sequential net profit improvement of 17 %. For the full year, operating profit improved by 34.09% from Rs.9,988 crores in FY22 to 13,393 crores in FY 23. Net profit improved by 18.16% on year basis from Rs.3,405 crores to Rs.4,023 crores in FY 23.

As far as the key ratios are concerned, NIM improved by 65 basis points from 2.36 % in FY22 to 3.01% in FY 23. Capital Adequacy Ratio is stood at 16.28 % in March 23. Provision coverage ratio is 89.68 % in March 23 as against 87.76 % in March 22. Cost to income ratio has improved by 340 basis points year on year from 54.48 % to 51.08% in FY 23. ROE has improved by 6 basis points from 0.43% to 0.49%. ROE stood at 10.31% in FY 23 as against 10.55%. So with these key ratios, I open the field for any questions or observations. Thank you so much.

Moderator:

Thank you so much, Sir, for those wonderful insights and congratulations on the stellar results. We request our teams and analysts here to raise their hand. One of our representatives will hand over a mic to you. We kindly request you that you restrict your questions to two at a time, allowing other attendees to interact with the management. For any further questions, if time permits, we will come back to you.

Shri Ashok Ajmera, Ajcon Global

Thank you, Sir, and compliments to the entire team for very good overall annual results for the whole year for the bank. I got a couple of observations and questions and they should not be taken as one question or two questions because it can be some discussion also on that. I request to permit me to ask those questions and make some observations also. One is that on the quarter, if you look quarter to quarter, the third quarter and fourth quarter, our credit growth is muted almost. The overall credit of the

bank also, if you take the loan book, it is on the lower side as compared to many of the other peer banks. So going forward, are we giving a target of 14%, 15%, 16%? And how are we going to grow our credit book? This is one observation and a question. If you come on the digital. This thing is separate segment now started giving in the segment wise reporting. Whereas other banks are giving as the total capital employed on digitalisation and the assets created and the liability created. In our case, we have not given the capital employed on the total digitalisation, only given about the loss or profit of Rs.32 crores or Rs.80 crores of that business done.

So a separate segment requirement by RBI is basically to give the colour that how much total capital you have employed on the digitalisation, which is a separate segment. Going forward, this segment is going to be developed like anything, and it will have lakhs of crores of business through digital media, and the profit loss and everything can be calculated. So on that, though we have been hearing that so much of amount has been allocated, budgeted, spent on digital, but in your capital employed, you're not mentioned that how much is capital employed on this business. This is something which needs some discussion and some clarification. On the slippage side also, the slippage in this quarter has increased to Rs.2,541 crores from Rs.818 crores in the last time. So if some color can be given on that, some highlights of that. And if you look at the cost side, the employee's cost has gone up by almost about Rs.1,100 crores as compared to the last quarter. You know Rs.1,783 crores to Rs.2,867 crores. Even if you take the extra pension, additional pension and also the wage revision, this together comes to only Rs.400 crores. So still the total cost on the employees has gone up by another Rs.600 crores.

So what is the reason for that? And going forward, how much figure we should take on quarter on quarter basis considering the standard quarterly results with this wage revision and additional pension allocation. And the last one in this round is about the additional provision which the bank is holding because if you look at the note number 12, RBI circular 7 June 2019, we have exposure of Rs.7,910 crores on which the provision is only Rs.2,078 crores. Similarly, on other assets also, there is a outstanding is more whether IBC or this as compared to the provision. OK. As per the RBI norms and standards, these figures have been provided for. But how much COVID buffer we have in the provision and how much overall buffer we have in the provision so as to arrive at some figures in the future quarters to come.

These are my some of the observations and some questions and I may come back again if time permits. Thank you Sir and welcome to you Sir, as the MD and CEO of Bank of India. Karnatak Sir, we have seen you in Union Bank doing wonders in the credit portfolio also there you are heading it and we hope that you will take the bank of India to further glorious heights.

Shri Rajneesh Karnatak, MD& CEO:

Thank you Ajmera ji. You have asked 6 questions. We will take it one by one. So I'll start with the credit one, advances one. So as far as the global credit growth is concerned, we have grown by 12.87%. As far as the domestic credit growth is concerned, we have grown at 9.56%. So that is I think an adequate growth which is there. As far as the guidance is concerned for credit growth we are giving a guidance of 11.27% on the global side and on the domestic side it will be 12.83%. So it will range from 11% to 12%. So if you will ask then why it is a muted growth say 11% to 12% and now why not 15% to 16% of growth. So the simple reason is that now the base of all the banks has increased on the credit side, not only in Bank of India but all the banks in the banking system. So the credit growth, I do not think that it will be as robust and as high as it was in FY22-23, when it will happen in FY23-24. So that is one reason why we are giving our growth, which is around 11% to 12% and we are very confident that we'll be able to achieve with a good mix of RAM advances of around 55% and corporate advances of around 45% and also the international book also within that. So I think that is a good enough advances. Another thing which is very important here is that if you see the data of Reserve Bank of India and the historical data, credit growth is normally two times (2 X) of the GDP growth. So when RBI is saying there will be a GDP growth as per March 23 numbers of 5.5%. Based on the historical data, the growth can be 10% to 11% only if it is a 2 X. So FY 22-23 was an aberration as far as the credit growth was concerned for the simple reason that we were coming out of COVID and March 21 base was very low. That is why the base of March 22-23 looked high as far as the credit is concerned. But now it will moderate to the levels which are there for the cycle, for the GDP growth also. So this is the reason why we have taken it at 11% to 12%. So now the next question was on the digital side. I would request our ED Rajgopalji to please take it.

Shri P R Rajagopal, Executive Director

Thank you, Sir. Ajmeraji. We have been talking about this one. If you see, I have given one slide on the amount of loans that have been disbursed. Assets created out of digital and the liabilities also created out of digital. We have around Rs.650 crores in Agri and Gold loans. It is in slide no. 37. If you see that these are all some numbers that we have created in digital. One thing that I would like to clarify is that digital we have started. This is the proof of what we have done in digital. In MSME small loans, we have already completely digitized. We are the first bank to do an STP till Disbursement and we have also digitized personal loans till Disbursement. We are also the first bank to digitize KCC till the end, till Disbursement stage. Agri Gold is also digitized. SB account is another thing that we have digitized, doing very well. Now the numbers will start coming in. That is one part of the question.

We'll cover it separately from next time onwards once the numbers improve. We'll do that as a part of segment reporting. Under AS-21, we have not recognized that as a segment as of now. That is a good suggestion. I am taking it. We'll examine that. And if possible, we'll do that. At present, Treasury and the banking is what we have to report. We'll do that separately. That's a good thing. But anyway, with respect to the question that you asked, whether we report what is the assets created, liability created. This is what we have started now. It will start improving. IndAS is purely digital. That is one point. Another point in terms of the capital outlay the capital outlay doesn't happen. Basically, it is an expenditure outlay in so far as the IT expenditure is concerned. The budget outlay, to be very precise. For next five years, we already shared with you long long time back. That Rs.5,000 crores is the budget outlay for IT. In so far as we are concerned, we have already spent around Rs.2,000 crores. We have got LOS already in place Lending Origination System which is robust till disbursement. We have got a Lead Management System in place which is end to end and live, In terms of customer, he can just see whether his status is done or not. Status is available to him on real time basis. This we have already done.

Yeah. It is already taken. It is accounted for fully. It is accounted for fully because it comes as a part of Opex. The Capex Part is very very small in the IT expenditure. It is not a big number only hardware comes under Capex. Most of it is all Opex for us. Even our ATMs are Opex so it is absorbed as a part of Opex expenditure. That is another answer for you where our Opex goes up because our Opex goes naturally, our expense also goes up.

The third question, you have asked about the provisions. Yes you are right that Rs.202 two crores have been made and 183 crores plus has been made with respect to staff family pension area. Apart from that, staff expenditure has gone up by Rs.600 crores you have said. This is basically what you see. Last two years there was no much travel in terms of COVID and all. So there was a subdued expenditure in terms of travel. Now really travel has started very well. So TA is another expenditure that has come up and we have also increased certain expenditure and certain perks to the award staff as well as the officers. In terms of their perks for their drivers and all that. That expenditure also gets coming. So this is the final number because normally that kind of perks get revised once in three years. So it is not an issue. This will be there. This Opex expenditure for IT also will remain standard.

Shri M. Karthikeyan, Executive Director

As regards just to supplement Mr. Rajgopal's point of view, the CRM next is one area where we are concentrating much granularly. Earlier, it was all independent, i.e, whatever leads come in, it falls in different places. Now we have integrated the entire thing. Whatever leads comes through the BC points whether from the social media

and other BC centres all that gets percolated to the branch level and we are monitoring that. So that will take care of the lead generation. Especially under the MSME segment.

Second, coming to the slippage point, your point is well taken. You should see that our slippage ratio has come down from 2.15% to 1.93%. That's one good point happening every year, every quarter on quarter. You are right that there's a spike because you should know that agriculturists had some issues in the COVID times and a lot of problems had occurred. So there are some pain points. It was in much higher numbers. But due to our continuous engagement with the field, we were able to bring that down. Some Agri KCC accounts were renewed. Some of them could not renew and as you know rightly the IRAC norms are set in auto mode. So there is spike in Agri. That's about Rs.1,400 crores in the last quarter. It is not a problem and pain point. What is happening is now we have put up task force teams in each zone to monitor these accounts branch-wise for renewal. Once the renewal takes place, then these accounts will come out. Upgradation of those assets will happen. That's about the slippages.

Ashok Ajmera

You said you are there on the Security Receipt (SR). There is some incremental listing also. Is there any NARCL SRs now?

Shri M Karthikeyan, Executive Director:

Yes you should know that NARCL we had identified two accounts, one in paper and one in sugar industry but we have not had any transactions happening because the renewal of guarantee for NARCL is expected.

Ashok Ajmera

They have provided on that NARCL SR also 100%. Just thinking whether you also had any such thing where NARCL SR you have received and you have provided for.

Shri P R Rajagopal, Executive Director:

SRs are either in the MTM or in the NPI. In both cases, it is provided 100%. Rs.2500 crore plus are provided for this. Additionally the slippage ratio also we are giving a guidance of roughly 1.4% for the current fiscal. So the improvement will be on continuous basis in this regard.

Moderator

Thank you, Mr. Ajmera. We'd like to move on to the next question. A humble request. If you could please introduce yourself and your organization. In addition, it'll be great if we take two questions. It'll make it easy for the management to answer them and ensure that we do not miss out on any important details.

Shri Himanshu, Adithya Birla Sunlife AMC Limited.

First couple of clarifications since your exit margins is around 3.15%. Last quarter it was 3.28%. I think if I recollect, in last quarter there was interest on income tax refund of around Rs.250 crores. What was this quarter interest on income tax refund? And if we exclude the impacts of such item, what is the like to like comparison? That is the first part.

Mr. Sankar Sen, CFO

Last quarter we included Rs.262 crores and in this particular quarter it was Rs.52 crores. So if you remove the element of interest on income tax refund from both the sides, definitely it is almost on the same level. Hence, there would have been no significant aberrations.

Shri Himanshu, Adithya Birla Sunlife AMC Limited.

Second is, since you closed the year with a 3% margins and I need the outlook. How one should see your margins for FY24 and what are the levers to attain the same, like what is MCLR book yet to reprice? Secondly, since you have stated in the past as well that you have done lot of lending to the Government Guaranteed advances. So although that proportion has come down from 12% last year to 10%, how this is going to be incrementally going forward? Ideally it is to understand how your margins will likely to be and what are the levers.

Shri Swarup Dasgupta, Executive Director.

For the financial year 2024, the guiding number is 3.16%. That is what we are planning. Then we are again telling that Government Guaranteed Advances we are now leveraging. The thing what had happened earlier, we are more confined to the risk weight. And in this Government Guaranteed Advances, the risk weight is 20%. And because of some issues we are focusing on that. But now what had happened because of that, in some State Governments there is a concentration. So we prudently decide that in some State where we are already reached our threshold level, we are not going to increase our exposure. Coupled with that, the Government Guaranteed Advance - though the market liability side is demanding nowadays - for one year loan, they are expecting 7.8% - 7.9%. Whereas if you raise similar type of liability it's very difficult to get. So it will take some time. They also should know that at those rates it's not available. Because of that reason we are now

shifting towards mid corporate segment. And wherever the quality assets are there we are definitely going to take those assets and protect our market share.

Shri Himanshu, Aditya Birla Sunlife AMC Limited.

Sir, thirdly, how much cost of deposits you expect to increase from the current levels?

Shri P R Rajagopal, Executive Director.

See, as of now, cost of deposits, 50 bps is something that we are expecting. It is already factored and repricing has already happened with respect to 50 bps. We don't expect more than this because there is a tapering that we are expecting with respect to rates. If the tapering happens, correspondingly the marginal cost of deposit, so 50 bps has already been factored.

Shri Himanshu, Aditya Birla Sunlife AMC Limited.

Sure. Another clarification if you can just give. Your provisions on the investments is around Rs.1130 crores, if you can just give an explanation what led to this.

Shri P R Rajagopal, Executive Director

See, what has happened is there are Security Receipts which were actually held in MTM basis. Their tenor has already crossed the eight years threshold. So they have been reclassified as non performing investments. So whatever was held as depreciation in the investment book has shifted to provisions book.

Shri Himanshu, Aditya Birla Sunlife AMC Limited.

Just few more. Last quarter we made a provision of Rs.806 crores on your standard loans because if I believe there are five accounts towards which you have provided. What is the current view on those accounts? And do you expect any reversal or write backs on such accounts.

Shri P R Rajagopal, Executive Director

If you see the presentation, you just look at those numbers. Already Rs.850 crores has been reversed and has been accounted for as a provision for NPAs. It has been taken into NPL provisioning. The remaining has been kept as a part of 7th June 2019 circular provisioning and additional provision of around Rs.700 crores has been made in 7 June circular in terms of RBI guidelines because of the resolution issues. So that continues to be there. So these five big accounts, already Rs.800 crore reversal has already taken place. Only thing is it is adjusted against NPAs instead of reversing it to P and L. So we did not reverse to P and L. We have taken it as additional provisioning for NPA. Those

accounts have been in order and there is no default as per 7th June circular. Once there is no default in 180 days, then we can.

Shri Himanshu, Aditya Birla Sunlife AMC Limited.

Sure. And the last question. Since you closed the year with a 0.49% ROA, what are your next target for FY 24?

Shri P R Rajagopal, Executive Director

We are looking at 0.75% as our ROA.

Shri Himanshu, Aditya Birla Sunlife AMC Limited.

Okay. Now what is your credit cost guidance for the coming year?

Shri P R Rajagopal, Executive Director

Guidance will be 0.75%.

Moderator

Thank you so much. Requesting again to please stick to two questions so that everybody gets a chance to engage.

Mr.Ramesh Bhojwani from Mehta and Vakil.

First and foremost, many congratulations on being appointed as the MD and CEO of such an esteemed and such a large bank. It has been an exceptionally performance year on all parameters. Wherever you look, whichever angle, whichever aspect you look. The bank has performed extremely well. And I was looking at your non-interest income. Slide 20. There is an observation. Your recovery in written off accounts have crossed Rs.1,073 crores. Plus there is a profit on sale to ARCs. All the heads. Even here you see it has been an outstanding performance. The thought which comes to my mind going forward will we maintain this or we will even outdo this?

Shri M Karthikeyan, Executive Director:

Absolutely. This time what we have done is, we have identified a large number of accounts of small values. We have a very robust non-discriminatory and non-discretionary OTS policies of the bank which has fired and we are able to resolve about 2.50 lakh accounts amounting to Rs.5000 crores. That's why these numbers are good. And I don't think this traction will stop. It will keep going and it will further get good benefits in the quarters to come.

Shri Ramesh Bhojwani from Mehta and Vakil.

Because I felt that your guidance was little conservative which is a very very wise thing to do that you under commit and over perform. That was the thought which I was carrying looking at this I was pleasantly surprised that all barometers the performance has been outstanding. So going forward we maintain this at least. Thank you. All the best.

Shri Sushil Choksey, Indus Equity.

Congratulations on a very stable result. So, first is we have consolidated very well between 2015 to now with various challenges which emerged at that time. The balance sheet and the performance in last two, three years indicate that we can outsmart the industry in very many aspects. So Credit Guide on Growth is one, what kind of initiatives are we taking to garner back our old glory?

Shri P R Rajagopal, Executive Director

See, two, three things. If you remember, first of all, MSME, we have lost heavily during that PCA days. Because we said that we cannot have BBB- and BB- accounts. So RWA was an issue at that point in time. So we had to shed a lot of mid corporate accounts and BBB- accounts. So what we have done, we have actually done a very marginal growth in BBB- and BB- account. If you see, our RWA has gone up by almost Rs.30,000 crores compared to the last year RWA. So, the density has also increased. Because I'm today comfortable in capital position. I'm able to grow that portfolio also. So if you see my portfolio AAA and AA portfolio has come down a little but whereas my BBB portfolio has gone up so that is one thing. So I am open to taking risk now depending upon my capital position. My position is okay. So I'll continue to take risk. That is the idea with respect to my medium and small industry approach. With respect to large industry approach, we have not been doing much last year because rates were very fine. What has happened was our liability franchise of course was very good but NIMs were very low. The margins, we had a margin of almost 2.1%- 2.2%. That kind of margins we had in FY 21-22. So we said that this is not how we should be having our assets. We should actually be shedding our government accounts and other accounts where margins are not at all there. So there was a time when people were lending at 4.50% and 5% and all. We consciously decided, we will not do that. That was the time when we actually did a consolidation of our RAM book. Our RAM book used to be around 50%. We have taken it to 56% today. So almost 6% growth we have shown over a period of two and a half years in RAM book. Especially our Retail and Agriculture we have grown. Retail very very aggressively. We have also grown our MSME reasonably. So this is what is the situation is. So we are again open to corporates. for a very simple reason, corporate book is again getting repriced because of the rate hikes. So 450 bps increase in rate hike. Naturally I am getting good margins over there. Still corporate bond market is not alive to that fact that they have to reprice their bond coupons. So once the corporate bond market comes back and reprice their coupons and if I'm able

to get good pricing on corporates, I'll be open to that. So they will all come back to me for a very simple reason. I am a two pronged approach. One is the digitization, services, ecosystem, banking, all that ICICI does, I am also doing, all of them. Rollout will happen by September without any problem. there was a delay. There was no doubt about it. For a very simple reason. I was suffering the effect of COVID and lack of resources from the IT sector that they did not provide me. There was a consolidation of other banks. IT resources were diverted to consolidating banks and similarly there was COVID. Resources were diverted elsewhere where there was margins for IT industry. So I was not getting IT resources. Now, again IT is coming back to me and giving me services. So I am able to get that. So I'll be able to roll out that. That is one point. Another point is, this is how my book will get rebalanced. So we continue to actually project our RAM to corporate book at 56 to 44. This is what of course we have given our guidance around 58. But in this 58 there will be a lot of medium advances where margins will be there. So because they will also be governed, because MSME definition has changed. So even a mid corporate book will come into MSME. That's why we have given guidance of 58.

Shri Sushil Choksey, Indus Equity.

Every bank may implement all digital initiatives. Maybe the large bank does it first and you do it later. That doesn't matter. But all this initiative needs lot of empowerment where your resources on the ground is concerned. Be it branches or Head Office or Zonal Office, whatever you want to take it. And that is the real strength of bank, which is visible in the past, it is visible today. But as seniors retire and new talent comes in the bank, I suppose with the kind of initiative which you are programming, what will you do that you engage in a better terms to regarnar those customers back?

Shri P R Rajagopal, Executive Director

See, basically what is happening is see almost 80% plus of our asset book is built by the branch and the Zonal office staff. Okay, so still there is a lot of engagement over there and of course carporate book is built through our Large Corporate Branches even today. So there what we are trying to do is we are digitizing the processes and giving more time to our people to actually get into relationship banking, have more RSMs, get connect and form teams and go and meet them and then garner new business. So this is what we are planning. So because of the process not being digitized, this could not be achieved in the last two years. Once process gets digitized fully till STP basis, we'll be able to do that. So many of the staff that we have in large corporate as well as in the branches and Zonal offices, they'll get freed for sales and service. We'll be able to do a lot of sales and service and getting to engagements. So there will be a lot of engagement from central office also going forward. Because we are only consolidating, as you rightly said. So we'll again start to do a very extensive outreach this year and we'll meet a lot of clients and then try to get the business.

Shri Rajneesh Karnatak, MD& CEO:

Just to supplement, Rajgopalji, I would like to say here is that we have decided now to have town hall meetings. With our staff, pan India so as to tell them what the Top Management wants, what the Board wants and what kind of growth we want now for this year. So there will be lot of engagement with the staff this year through Town Hall meetings just to engage the entire staff of that NBG and that zone to make them understand what is the thrust area for the bank. Like RAM credit, CASA advances, retail term deposit that is one thing. The other thing would be that lot of Customer Meets which we will be doing. Customer Meet as far as the MSME advances are concerned, Exporters and Importers Meet we would be doing, Corporate Credit Meets we would be doing also. So that is another thing with engaging with the customers so that the customer connect happens and we engage more customers. What we found was that our corporate credit book is holding only 500 to 550 corporate clients which is typically Rs.50 crores and above clients. So that number is quite low. We need to improve that number that will also broadbase our customer clients. Number one, corporate credit also derisk ourselves rather than concentrating on a few corporate clients we will be derisking by making more corporates on our book. So that is another strategy we want to do this year. So there will be Town Hall Meetings connecting with the staff and Customer Meets also wherein we will be meeting the MSME customers, mid corporate customers typically between Rs.50 crores to Rs.250 crores of lending and then the large corporates and importers and exporters meet also. So all these things together which will be helping us. And another thing would be that like we said, that 10% of guidance we are giving on the deposit side and 11% to 12% on the credit side. So that is a moderate guidance, not a very high guidance. But within that what we are more optimistic about is improving our operating profit and net profit. So any business we want to do is a business which gives us profit to the bank and which is profitable for the bank. So that is how we want to approach this FY 23 24, so that we have better margins, better profitability, even though the business may be 11% to 12% of growth. So this is how we want to approach it.

Shri Sushil Choksey, Indus Equity.

So based on the replies what I heard from you, the rates be it in your global book, have peaked. The Fed is more or less indicative. Domestic RBI has indicated the rates have peaked more or less. Maybe this quarter. The MCLR would have peaked. And the domestic G-Sec is clearly indicating it may pierce 7% and some banks Treasuries in the Con Call have also guided that we may get 6.75% at the year end. In view of that pricing, where corporate book or retail products are concerned and where your Treasury is concerned, how are we positioning?

Shri P R Rajagopal, Executive Director

Today if you see my weighted average yield and the segment wise weighted average yield, we have around 9.10% in MSME and retail book. Very substantial pricing we are getting today and those debt never gets repriced unless the RBLR comes up. See some our friend there he is also asked about the composition of the book. 35% of my book is in MCLR, 50% of the book is in RBLR. Remaining of course are at higher rate of interest. So this 50% of the book that we are talking about will get repriced only much later when RBI actually comes out with a RBLR cut. I don't think that will happen in the near to medium term. That is not going to happen. So my margins in that segment are protected as of now. That is one thing. In so far as MCLR repricing is concerned, only a very small portion of MCLR book has been repriced. So that will get repriced very fast because I've already passed on. So they are coming up for reset. So I'll get my interest income and my margins will continue to be protected over here. So we have a good margins over there. If you see my spread also, when I say spread, I mean the difference between yield on advances, and the cost of deposits, it is around 5%. So we have a good spread today. So I'll be able to protect my margins. I'll be able to grow. Also, in so far as the rate peaking that we are talking about, rate peaks, no doubt. But at this current rate so I have used to lend at 5.50%, 6%. Sometimes it was like that. It was below even the Call Money Rates. So that was the situation that point in time. So that will not happen. The average lending rate today, even the biggest corporates that I'm giving overnight MCLR or even at RBLR. I am better off. Even at RBLR, 7.90%, I'm giving even without markup. So there even a small markup, people are willing to keep a small markup of 50 bps. There also I am getting around 8.40% - 8.50%. There is no problem there. That is one point. Another point is with respect to MCLR book. Even if I give at overnight MCLR, I am getting around 8% today. So margins are very good so at that rate I am comfortable. Why I was not doing earlier was because I was not getting this kind of rates. Today I am getting the rates. I will do it.

Shri Subrat Kumar, Executive Director:

I will just supplement what he said. See there are two things. One, we are talking about our loan book getting repriced so please also understand, keeping in mind that deposit will also get repriced with lag, right? So over a period of time that will also normalize. This is point number one. Point number two, if you see our efficiency in raising deposits, deposit cost has come down as well, if you see the cost of fund, the yield on fund and the margin. So efficiently we are raising the resources to fund the trade growth. So that also matters a lot. Going forward Treasury will also follow the same kind of thing. They will raise the resources based on the liquidity requirement by the internal system very efficiently. So we'll try to minimize our cost of raising resources there and whatever repricing happens, in case it happens, on downward side, this will also take care and deposit will also get repriced because we are never aggressive in raising deposit at a very high rate you would have seen in the market. Treasury, going forward, they have taken a call. I think we are having a very moderate duration at this point of time and we have built our books also over a period of last 2 to 3 months and going forward we will continue with the same trend and

the view is same. Whatever you said, it has peaked out because it is in the public domain. It's not a big thing and it's a matter of time when it happens, maybe from October onwards this will start happening. So at that time we'll take a call. So as it is we are comfortable we are having 4% excess SLR. We can always do the arbitrage based on the market borrowing and all that, so Treasury is doing that job and interest income will always move up in this context.

Shri P R Rajagopal, Executive Director

So far as the yield is concerned. If you are very particular about our yields and MTMs in AFS and HTM Portfolio, I can tell you that we are in a unique position that we hold a good amount of floating rate bonds. So the repricing has happened on the upside in floating rate bonds for us. So therefore our yields are also protected very well in our AFS and HTM portfolio. So there also we don't have problem that some many other bank's face. Our MTM loss are very minimal.

Shri Sushil Choksey, Indus Equity.

So you have passed an enabling resolution for Tier one, Tier two, equity and all. Any kind of thought process on this - during the year. I'm not saying at front end, but, during the year.

Shri Rajneesh Karnatak, MD& CEO:

Already the board has approved that fund raising plan of Rs.6,500 crores. Out of which Rs.4,500 crores would be equity and / or AT-1 bonds and Rs.2,000 crores would be Tier 2 bond. So that is already there. So in the quarter coming up, definitely we will be coming to the market and raising some funds. Maybe in the form of bonds also.

Shri Jay Mundhra

Sir, I have a couple of questions on slippages. Last two quarters, we had Rs.1,200 crores slippages. This quarter slippages have increased and even net of recovery upgrades. Last two quarters we had negative slippages. And this quarter is positive net slippages. This is actually in divergent versus the broader sectoral trend where the slippages have been improving. So just wanted to understand what has happened.

Shri M Karthikeyan, Executive Director

As I told you earlier also, you're, right. The spike has happened in the last quarter. In this total of Rs.2,800 crores, Rs.1400 crores is only because of agricultural advances. These agricultural advances were during the COVID times moratoriums were given and there are some segment of agriculturalists who could able to renew their KCC advances. So some of the farmers who could not do it, and you know that the bank has already from 2021

onwards, the IRAC automation has been put in place. So these accounts, because of the non-renewal on time has fallen. But nevertheless, what we are doing is how do we mitigate this? We have already started that in the month of February itself. Specific task force teams have been formed in the Zonal offices and they are given account specific targets to meet the farmers per se, to ensure that they come back and renew the advances. If that renewal happens, which is very aggressively happening, in the last month itself, we were able to upgrade about Rs.450 crores. So that renewal if we continuously engage with the Agriculturists, as our MD & CEO has said that meetings with customers will be held more frequently. So these task force will be meeting the agriculturists in the village camps. That's what we intend to do. We have already started doing in various zones, mostly it is in UP, Madhya Pradesh, Jharkhand, Chattisgarh. These are the segments where there is a lot of pain points, where we'll engage more closely with them. And I'm sure that will not cause any problems. Once their renewal takes place, they're going to get interest subvention for prompt payment and incentive in future. They will openly adhere to that. That's the roadmap for this quarter.

Shri Jay Mundhra

At least in Q1, we should be seeing as this KCC renewal progress steps up, there should be a reasonable amount of recovery from the accounts which have already slipped, right?

Shri P R Rajagopal, Executive Director

Yes, sure.

Shri Jay Mundhra

Secondly, sir, I think this question was asked earlier. There is a spike in the non performing investment provisions and there is a treasury gain spike, right. So I think the provisions which now earlier were standard SR, they have now recognized as NPI. The similar offset has been in the treasury gains also, right? Is that right?

Shri P R Rajagopal, Executive Director

Yes. It has moved from depreciation to provision.

Shri Jay Mundhra

And lastly, on capital raise, Sir. So now we are in decent position. Earlier also there. As you said that we are targeting 11% to 12% kind of a loan growth. What could be the timeline for capital raise if you have in your mind equity capital issue, Sir?

Shri Rajneesh Karnatak, MD & CEO

Yeah. So presently we have not thought of. We are waiting. We'll talk to the analysts and others and then understand what is the best right time to go for the equity raise? And another important thing is we may not go for Rs.4,500 crores immediately. Totally. Maybe we will go in one tranche, two tranche, three, depending on the market situation and scenario.

Participant:

Can you highlight our liability mix and how do we improve our Cost to Income Ratio?

Shri Rajneesh Karnatak, MD & CEO

The entire thing is retail. We have got only 10% in terms of bulk deposits. 44% is our CASA in the total liability side. The remaining is the term deposit. Out of that, only 10% is bulk. Remaining is all retail term deposit up to Rs. 2 crores. So, Bank of India has a very strong retail franchise. We have 5,100 plus branches and then we have seven crores plus customers. So the retail franchise is one of the core domain area and the strength for the bank.

Participant

Do you see challenge in gathering the deposits? I mean, system wise, the credit offtake is going up. Many banks have challenges in deposit gathering to the tune of credit off-take, which is happening. So do you see any challenges there in this month?

Shri P R Rajagopal, Executive Director

We have not seen. See, for example, 31 March 2023, Financial Year is over. Now, we have done business for one month. It's already April and May started. We have grown reasonably well in deposits this month. Month on month growth, if you envisage, whatever guidance that we have given for deposits will be actually surpassing it if we continue to achieve this. So I see a lot of traction in my retail deposit growth. Our retail term deposit to total term deposit is 82%. Our intention is to take it to 85%. It was 80%. We have increased it to 82%. That means we are able to get the deposits. Resource renewal happened there very well.

Participant

Do you see any cost to Income Ratio improvement?

Shri P R Rajagopal, Executive Director

Naturally. See our yields are improving substantially. Once yield improves, the denominator effect will happen. So Cost to Income Ratio, our cost has happened mostly

because of IT investments and the staff cost because of the settlement that is due since Nov.22 with staff bipartite settlement and other family pension and other provisions that we have made under AS 15. So these things have actually done and dusted now. And added to that, we are also going to get a good denominator effect into the good yields that we will get. So our Cost to Income Ratio will be as projected 47%.

Participant

And do you find any sector vulnerable, which you worry that this sector might be more careful going for next one year?

Shri P R Rajagopal, Executive Director

It is actually an ongoing process. We do it on a continuous basis. We don't take a call in the beginning of the year and say that this sector is vulnerable. You don't know. So you'll have to continuously keep on assessing it and continue to do it. But basically our exposure is based on the credentials and credit risk is something completely different. It has nothing to do with the equity risk. Equity risk is taken completely differently. Credit risk is rated completely different. Even a sector may be bad for equity, but it may be good for credit risk point of view because it has collateral, it has tangible network, we have cash flows. There are a lot of factors that come in. So rating takes into consideration a lot of metrics on the ways on which we take credit risk. So no sector is untouchable for us. But there are certain sectors which continue to be stressed based on the impaired assets ratio to the total exposure that we have. We'll continue to monitor them, that's all.

Participant

Sir. Exposure to airlines and real estate as a segment. What percentage of the book will be there?

Shri P R Rajagopal, Executive Director

We don't have any exposure to airlines except Air India which is now Tata, to small extent. So we have around Rs.3,000 crores exposure in CRE. So, it's a very small exposure.

Participant

If you see that real estate is Rs.86,000 crores.

Shri P R Rajagopal, Executive Director

Within that there is residential mortgage. Home loan, loan against property, small loans. All those things are there.

Participant

The credit cost will be sub 0.50%?

Shri P R Rajagopal, Executive Director

Credit cost guidance is 0.75%.

Participant

Thank you. You basically talked about the ROA expanding by about almost 25 basis point in this year, whereas basically you talked about that the margins will only stabilize. So barring the credit cost coming off on a YoY basis, is there any other lever that you see, you talked about cost ratios coming down. I mean, every year we would have some or the other stuff which would come via family pension. We will have something else. Obviously the salary hikes also will happen. Your new staff addition will happen as I think you try to grow your book. So what could be those levers that you feel so not only talk about the Cost to Income Ratio, if you can talk about in terms of the Net income to assets, cost to assets, how basically a DuPont will really flow for this 25 basis point expansion?

Shri P R Rajagopal, Executive Director

That's a very good question. Basically what we have done is to a great extent we are front loading our staff cost. You see, we have already provided for almost 33%. So we have a substantial cushion in terms of the rise in the staff cost going forward. That is one point. So we are not looking at costs going very, very high. Because if you see the numerator, I am not very worried about numerator of the cost in all aspects. If you take entire expenses, whether it is in the interest expenses or in the Opex, I am not looking at huge increase in the numerator. So increase will be there nevertheless but not in a very significant increase that will affect the cost to assets, cost to other things. So my credit cost apart from credit cost to assets are going to be severely impacted. That is one point. Another point that we are talking about is insofar as the Denominator is concerned, my cost assets fairly stabilized and continue to be there. So I have become very competitive in terms of my credit cost, my cost of credit to be very precise. So naturally I'll be able to actually garner better yields so once I garner better yields I'll be able to do that. That's what the idea is. So the levers as you said is going to come from major part of it will come from mid corporate book and corporate book and apart from that there is RAM book. Anyway, we are growing very robustly. Even today, my retail loans are giving good yields. So if you see the home loans have also reached around 9.25% plus so that is one advantage we have and apart from that personal loans have also gone. Once upon a time it was given at 10.75%. We are already seeing it around 15% being given. So delinquencies will be there in that, no doubt. But we have to choose, we have to actually underwrite properly and ensure that we don't grow very very aggressively because another advantage we have is

our base is very small so we have a huge opportunity to grow. If you see our home loan base, it's small. We see a personal loan base, it is small vehicle loan base, it is small. We don't hold huge market share in these segments so we have a lot of opportunity in terms of increasing market share without compromising on the margins, without compromising on the quality. That's what our outlook is.

Participant

But then basically if you look at mathematically your asset book is going to grow at somewhere about 11% to 12% broadly. In line with the loans, your Opex will grow at about 10% to 11%, right? So then basically your cost to assets really doesn't improve. If you look at your NI to assets whatever said and done, we know that.

Shri Swarup Dasgupta, Executive Director

A lot of things we are automating. The moment we automate the things for micro segment, that will make huge difference. If my entire micro segment, majority of it is addressed by online things, then automatically those tasks will be free.

Participant

Your cost will increase by 11%, 12% or so this year. That's what we can't be sub 10%, right? All along.

Shri P R Rajagopal, Executive Director

From mathematically also, I am not looking at that kind of increase. Because, see, you are looking at a corresponding increase of say for example, I am looking at 12% increase in the credit or even in the asset book. You are saying that my cost is definitely will go up. Cost has got two components. I have already told you. One is basically interest expenses component. Another is an Opex component. I have said my Opex is already absorbed. I have front loaded lot of my Opex so there is hardly any increase in the Opex that will happen going forward. Of course staff costs are there. The staff cost already front loaded. In other Opex costs, mostly 600 crores we have already taken so it is actually it will be stable insofar as the apex cost is concerned interest expenses are not going to increase. That's what I see because lot of repricing has already happened. If you see my repricing of my liability franchise, almost 70% of my liability franchise is repriced and it is almost on par with what the industry liability rates are. So that is one point. So 30% has to be repriced. If there is a rate hike then there will be repricing of the deposits. So I don't foresee a rate increase there. So if rate increase is not there, my liability need not be repriced. So there I find stability over there. There is a reason why I'm saying. I am not looking at 11% increase in the expenses. Last five, six years I've been looking at overheads. I'll give you another number that you'd be interesting to you. Overheads number is around 1.5% by we look at

for the purpose of fixing MCLR, it has not gone up for quite some time. In so far as I am concerned, despite all these provisions and also my overheads continues to be hovering around 1.5%, 1.6%. So as long as it hovers around 1.5% to 1.6%, I will not have any problem in terms of my cost to assets. If that overheads goes up, there is a problem. That's what I already told you. Overheads will not go up because my Opex has stabilized. So interest expenses are not likely to go up because the external environment, the rate has stabilized. So these are the levers on the basis of which I am actually projecting my growth.

Shri Rajneesh Karnatak, MD & CEO

Present Cost to Income Ratio is 51%. The guidance we have given is around 47.50%. So that is another thing where it will come. And another important thing is the non interest income which will be driving this year very strongly. So Rs.7,000 crores plus we had a non interest income this year for the full twelve months. So this year definitely we'll try to get it as high as possible.

Participant

Secondly, the question is to MD and CEO. So basically you've come from Union Bank where we have seen some kind of cultural shift or some tightening that we have seen over there, which obviously the investors have liked. We have seen that reflecting into the stock price as well. But you believe that kind of thing need to be done in Bank of India. Number one. I know it's been not many days that you've been over here. Secondly is from the cultural shift. Second is that basically what are the weaknesses that you see in Bank of India when you were there in Union Bank? Right? I'm sure that peer comparison always there in terms of that. This is a portfolio where they are strong. This is a portfolio where they're not that strong. Underwriting needs to be strengthened, risk management needs to be strengthened. So any gaps that you basically identified and that you would want to address at least in the first year of your job.

Shri Rajneesh Karnatak, MD & CEO

The second question I will answer first. See it is too early for me to do a comparison. So both have different starting points. There was amalgamation which happened in Union Bank. In Bank of India there has been no amalgamation. So that is the basic point. Another thing, starting point for both the banks are different and it is too early for me to give what are the strong points and weak points. It is just one week that I have joined over here. As far as the cultural shift which you are saying which happened in Union Bank, which the market is taking it very positively. Here also I would like to say is that in today's Board Meeting I also said that we will also go through certain transformational journeys. Whether it is on the IT side, digital side, structural side and also on the HR side. So these are the things which will change the mindset of the staff and also the clients. So what I was saying earlier that there will be Town Hall Meetings with the staff, there will be customer outreach.

All these things will not only help the credit to grow, but also the recovery to happen once we go and outreach to the defaulters. Also all that kind of thing will help. And Union Bank, if you compare with one point on the CASA side, Bank of India is very strong. So 44% of CASA with a seven crores deposit franchise, that is big. So there are already very strong points which are clearly evident on the slides itself. So definitely the starting points are different. But with the transformational journeys that will be taking place, which will be taking over the next twelve months, definitely the things will change for the better.

Participant

Best wishes sir. Thank you.

Moderator

This is one last question from the digital attendee. The question is what is the impact of RBI consultation paper proposal for ECL for next year? How much impact on capital adequacy will be there? What's BOI's position?

Shri B. Kumar, General Manager

With respect to the ECL is concerned, we have already provided the feedback we have to give to IBA which they will consolidate and give to RBI. Internally we have assessed also. I think, our additional provision requirement will be in the range of Rs.20,000 to Rs.25,000 crores and will be staggered in a period of five years. Based on that projection, this year when we are going for our capital plan, we are projecting around Rs.4,500 crores raising of the equity capital. We have already given a suggestion to spread it for next five years. I think we are in a comfortable position. That is not much is going to affect as far as doing the business is concerned as we are planning from the very beginning of the guidance note. We are also planning to engage a consultant for guiding us from the very beginning to whole approach of ECL. That is also in the pipeline. And you all know very well since last two, three years we are presenting the projected numbers with regard to ECL numbers, IndAS numbers to RBI. So no problem as we know our figures. Hence, we can migrate to it very smoothly. That is not a concern for us as for the time being, as we are having a well-planned strategy in place.

Moderator

Thank you. I hope that answers your question, Shri Manoj. That will be all from the analyst meet. Thank you Shri Rajneesh Karnatak and the Bank of India's Management team. We will now conclude this gathering.