# Bank of Baroda Financial Results Q3, 2014-15 (FY15) and Apr-Dec, FY15 January 30, 2015



- Operating Profit at Rs 2,339 crore in Q3, FY15 (up 6.4%, y-o-y)
- Net Profit at Rs 334 crore in Q3, FY15 (down 68.1%, y-o-y)
- Total Business at Rs <u>9,58,230</u> crore at end-Dec, 2014 (up <u>11.9%</u>, y-o-y)
- Net Interest Income (NII) at Rs 3,286 crore (up 7.5%, y-o-y)
- NIM (Domestic) at 2.92% & NIM (Global) at 2.20% in Q3, FY15
- Net NPA at 2.11%
- Domestic CASA share protected at 32.42% in Q3 of FY15 versus 32.27% in Q3, FY14
- ROAA (annualized) at 0.57% in Apr-Dec, FY15
- ROE (annualized) at 9.80% in Apr-Dec, FY15
- CRAR (Basel III) at <u>12.42</u>% with Tier 1 at <u>9.41</u>% & Core Tier 1 at <u>9.09</u>% as on 31<sup>st</sup> Dec, 2014

Bank of Baroda has announced its reviewed results for the third quarter of 2014-15 (Q3, FY15) and for the first nine months ended December 31, 2014 (Apr-Dec, FY15), following the approval of its Board of Directors on January 30, 2015.

# Results at a Glance

	Quarterly Results			Results for Nine Months		
	Q3:FY15 (Rs cr)	Q3:FY14 (Rs cr)	% Change	Apr-Dec FY15 (Rs cr)	Apr-Dec FY14 (Rs cr)	% Change
Total Income	11,808.34	10,622.80	11.16	35,308.16	31,787.60	11.08
Interest Income	10,717.99	9,690.73	10.60	32,201.62	28,651.12	12.39
Interest Expenses	7,431.85	6,633.59	12.03	22,186.06	19,810.09	11.99
Net Interest Income	3,286.14	3,057.14	7.49	10,015.56	8,841.03	13.28
Other Income	1,090.35	932.07	16.98	3,106.54	3,136.48	-0.95
Operating Expenses <sup>#</sup>	2037.45	1,791.74	13.71	5900.53	5,203.84	13.39
Staff Expenses	1,119.78	1,055.71	6.07	3,333.11	3,099.84	7.53
Total Expenses <sup>#</sup>	9469.30	8,425.33	12.39	28086.59	25,013.93	12.28
Operating Profit <sup>#</sup>	2339.04	2,197.47	6.44	7221.57	6,773.67	6.61
Provision for Tax	742.81	372.21	99.57	1744.49	702.65	148.27
Provisions (other than tax) & contingencies	1,262.25	761.87	65.68	2,677.00	2,640.56	1.38
Net Profit	333.98	1047.84	-68.12	2800.08	3,383.81	-17.25

#: excludes the exceptional items of Rs 15.55 crore for Q3 FY 14, as a share of total deficit of Rs 186.58 crore on account of take-over by the bank of the specified assets and liabilities of the Memon Cooperative Bank Ltd as per the approval granted by RBI vide letter no DBOD.NO.BP.1311/21.04.048/2010-11 dated 25<sup>th</sup> July 2011.

#### **Profits**

The Bank's **Operating Profit** stood at **Rs 2,339 crore** in Q3, FY15 versus Rs 2,197 crore in Q3, FY14 (**up 6.4**%, y-o-y) despite continued macro headwinds. However, due to a significant increase in both the tax and non-tax provisions, the Bank's **Net Profit** stood at **Rs 334 crore** in Q3, FY15 versus Rs 1,048 crore in Q3, FY14 (**down 68.1**%, y-o-y). During the first nine months of the current financial year, the Bank's **Operating Profit** and **Net Profit** stood at **Rs 7,222 crore** and **Rs 2,800 crore**, respectively.

#### **Income**

Despite a lack-lustre credit demand and limited pricing power, the Bank could grow its **Net Interest Income (NII)** to **Rs 3,286 crore** in Q3, FY15 (**up 7.5%**, y-o-y), primarily due to an efficient management of liabilities. During Apr-Dec, 2014, the Bank shed its **high cost preferential rate deposits** in a significant manner to the tune of **Rs 3,710 crore**. Moreover, continued support from core fees plus strong trading gains boosted the Bank's **Total Income** to **Rs 11,808 crore** in Q3, FY15 (up **11.2%**, y-o-y).

During the first nine months of FY15, the Bank's NII, Other Income and Total Income stood at Rs 10,016 crore (up 13.3%, y-o-y), Rs 3,107 crore (down 1.0%, y-o-y) and Rs 35,308 crore (up 11.1%, y-o-y), respectively.

The Bank's **Domestic NIM**, however, eased to **2.92**% in Q3, FY15 from 3.02% in Q2, FY15 due to a near stagnant growth in non-food credit of the banking industry.

### **Expenses**

During Q3, FY15, the Bank's **Interest Expended** (at **Rs 7,432 crore**) posted a relatively modest growth of **12.0%** (y-o-y) due to the Bank's strict monitoring of funding costs. Its **Employee Cost** increased by **6.1%** (y-o-y) to **Rs 1,119.78 crore** reflecting the provisions against wage revisions, AS-15 benefits (actuarial liabilities), etc. During Apr-Dec, FY15, the Bank's **Interest Expended**, **Employee Cost** and **Total Expenses** stood at **Rs 22,186 crore** (up **12.0%**, y-o-y), **Rs 3,333 crore** (up **7.5%**, y-o-y) and **Rs 28,087 crore** (up **12.3%**, y-o-y), respectively.

# **Provisions**

"Provisions and Contingencies (excluding tax provisions)" of the Bank increased by a significant 65.7% (y-o-y) during Q3, FY15 to Rs 1,262 crore due to lumpy provisions against some structural non performing loans.

Similarly, the Bank's **Tax Provisions** grew by a sizeable **99.6**% in Q3, FY15 to **Rs 743 crore**, primarily due to **Rs 374.86 crore** of tax paid by the Bank's UAE territory, pertaining to earlier years.

# **Business Expansion**

On a y-o-y basis, **Total (Global) Business** of the Bank increased by **11.9%** to **Rs 9,58,230** crore in Apr-Dec, FY15 from **Rs 8,56,218** crore in the same period last year. While **Total Deposits** increased by **12.1%** to **Rs 5,64,600** crore as at end-December, 2014 from **Rs 5,03,772** crore as at end-December 2013, **Total Advances** increased by **11.7%** to **Rs 3,93,631** crore at end-December, 2014 from **Rs 3,52,446** crore at end-December, 2013.

The Bank's **Retail Credit** increased by **14.0%** (y-o-y) in Apr-Dec, FY15 to **Rs 48,736 crore** and formed **18.18%** of the Bank's **Gross Domestic Credit**. On year-on-year basis, while the Bank's **Credit to SMEs** expanded by **9.1%** (y-o-y) to **Rs 59,320 crore**, its **Farm Credit** was up by a significant **33.4%** (y-o-y) and attained the level of **Rs 35,335 crore** by end-Dec, 2014.

# **Asset Quality**

Both Gross NPA(%) at 3.85% and Net NPA(%) at 2.11% at end-Dec, 2014 reflect continued stresses in economic environment and the ongoing structural issues. The Cash Recovery (from NPA plus from the written off Accounts) during Apr-Dec, FY14 stood at the improved level of Rs 1,205.37 crore (versus Rs 832 crore in Apr-Dec, FY14), while the Upgraded Assets amounted to a better level of Rs 1,119.97 crore (versus Rs 633 crore in Apr-Dec, FY14).

Despite the pressure on earnings, the Bank tried to keep its Provision Coverage Ratio at 62.37% as on 31<sup>st</sup> December, 2014.

# **Capital Adequacy**

The Bank's **Capital Adequacy Ratio** was at **12.94%** (as per Basel II) as of December 31, 2014. Its **Tier 1** too was maintained at the healthy level of **9.61%**. Under **Basel III**, the Bank's Capital Adequacy Ratio stood at **12.42%** with the **Tier 1** capital at **9.41%** & **Core Tier 1** at **9.09%** as on 31<sup>st</sup> December, 2014.

It may be noted that the computation of these capital adequacy ratios does not take into account the "profits" earned by the Bank during the first nine months of the current financial year. If considered, all ratios would improve by <u>78</u> bps.

During the first nine months of the current financial year, the Bank did not raise any capital in its domestic operations but raised funds to the tune of **\$250 million** (at 6-months LIBOR plus 1.87%) in its overseas operations via a MTN Senior Subordinated Bond on 14<sup>th</sup> July, 2014.

# **Key Financial Ratios**

- The Bank's Net Worth expanded by 10.2% (y-o-y) to Rs 38089 crore as on 31<sup>st</sup> Dec, 2014.
- In annualized terms, the Bank's Return on Equity (%) stood at 9.80% in Apr-Dec, FY14.
- Its Return on Average Assets (%) stood at 0.57% in Apr-Dec, FY14
- The Bank's **Book Value per Share** improved to **Rs 887** as on 31<sup>st</sup> Dec, 2014 from Rs 820.79 as on 31<sup>st</sup> Dec, 2013 (up **8.1%** y-o-y).

#### **Overseas Business**

At present, the Bank is present in **24** countries through **104** offices. During the financial year so far, **the Bank has opened two new branches in its Overseas Subsidiaries** – Meru in Kenya and Mwanza in Tanzania in June-July, 2014.

During Apr-Dec, FY15, the Bank's **Overseas Operations** contributed **32.9%** to its **Total Business**, **24.6%** to its **Operating Profits** and **30.2%** to its **Core Fee-based Income**.

# Key Strategic Initiatives during Apr-Dec, FY14

- During Apr-Dec, FY15, the Bank's **term deposits with preferential rate of interest have declined** from Rs 11,792 cr at end-Mar, 2014 to **Rs 8,082** cr at end-Dec, 2014; even the share of CDs to Term Deposits fell from 7.5% at end-Mar'14 to **2.6%** at end-Dec'14.
- The Bank significantly strengthened its **Credit Monitoring process** and the system for "Early Detection of Stress Accounts" so as to undertake speedy follow-up actions.
- The Bank also strengthened its existing Retail & SME Loan Factory set up with marketing professionals. As on 31<sup>st</sup> Dec, 2014, the Bank had <u>60</u> Retail Loan Factories and <u>53</u> SME Loan Factories operational across India.
- The Bank opened <u>215</u> new branches in its Domestic Operations and set up <u>1,055</u> new ATMs and <u>2,270</u> new POS machines (Point of Sale Machines) in Apr-Dec, FY15. It also opened <u>7</u> e-Lobbies during the year so far to offer 24\*7 basic banking operations.
- The Bank converted <u>29</u> additional Metro and Urban branches into Baroda Next branches during Apr-Dec, FY15.
- As on 31<sup>st</sup> Dec 2014, <u>21,946</u> villages were covered under the Bank's Financial Inclusion drive and the Bank set up <u>2,681</u> Ultra Small Branches across the country to support this initiative.
- Under Prime Minister Jan Dhan Yojna (PMJDY), the Bank has opened <u>56.30</u> lakh accounts and issued <u>54.41</u> lakh RuPay cards.

Mumbai January 30, 2015 Ranjan Dhawan Executive Director