Bank of Baroda Financial Results
H1, 2013-14 and Q2, 2013-14 (FY14)
October 31, 2013

बैंक ऑफ़ बड़ौदा
Bank of Baroda

- ***Net Profit** at **Rs <u>1,168</u> crore** in Q2, FY14 – Same level as in Q1, FY14 & down 10.2% (y-o-y)*
- ***Total Business** at **Rs <u>8,24,786</u> crore** at end-Sept, 2013 (up 17.8%, y-o-y)*
- ***NIM (Domestic)** at **<u>2.85</u>%** & **NIM (Global)** at **<u>2.32</u>%** in Q2, FY14*
- ***Gross NPA** at **<u>3.15</u>%** & **Net NPA** at **<u>1.86</u>%***
- ***Improvement** in **Domestic CASA share** from **<u>31.17</u>%** in Q1 to **<u>32.65</u>%** in Q2 of FY14*
- ***ROAA (annualized)** at **<u>0.84</u>%***
- ***ROE (annualized)** at **<u>13.61</u>%***
- ***CRAR** at **<u>12.32</u>%** with **Tier 1** at **<u>9.36</u>%***

Bank of Baroda has announced its reviewed results for the second quarter of 2013-14 (Q2, FY14) and for the half year ended September 30, 2013 (H1, FY14), following the approval of its Board of Directors on October 31, 2013.

Results at a Glance

Particular	Quarterly Results			Half-Yearly Results		
	Q2:FY14 (Rs cr)	**Q2:FY13 (Rs cr)**	**% Change**	**H1:FY14 (Rs cr)**	**H1:FY13 (Rs cr)**	**% Change**
Total Income	10,447.31	9,550.86	9.39	21,164.80	18,879.27	12.11
Interest Income	9,473.45	8,722.55	8.61	18,960.39	17,280.16	9.72
Interest Expenses	6,578.66	5,860.25	12.26	13,176.50	11,619.79	13.40
Net Interest Income	2,894.79	2,862.30	1.14	5,783.89	5,660.37	2.18
Other Income	973.86	828.31	17.57	2,204.41	1,599.11	37.85
Total Expenses #	8322.73	7168.28	16.10	16588.60	14243.51	16.46
Operating Expenses #	1744.07	1308.03	33.34	3412.10	2623.72	30.05
Staff Expenses	1030.15	751.21	37.13	2,044.13	1,512.20	35.18
Operating Profit #	2124.58	2382.58	-10.83	4576.20	4635.76	1.28
Provision for Tax	80.10	422.34	-68.00	330.44	630.42	-47.58
Provision (other than tax) & contingencies	860.83	646.41	33.17	1,878.69	1,540.21	21.98
Net Profit	1,168.10	1,301.39	-10.24	2,335.97	2,440.25	-4.27

Note: # excludes the exceptional items of Rs 15.55 crore for Q2 FY 14 and Rs 12.44 crore for Q2 FY 13, 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 25th July 2011.

Profits

Despite further worsening of industrial and inflation scenario, the Bank could protect its **Net Profit** in Q2, FY14 at **Rs 1,168.10 crore** – the same level as in Q1, FY14. On y-o-y basis, however, its **Net Profit** declined by **10.2**%, as the intensity of economic slowdown and market volatility increased significantly during this period. The Bank's **Operating Profit** in Q2, FY14 stood at **Rs 2,124.58 crore** reflecting a decline of **10.8%** (y-o-y). Its **Operating Profit** and **Net Profit** in H1, FY14 were at **Rs 4,576.20 crore** (down 1.3%) and **Rs 2,335.97 crore** (down 4.3%), respectively, posting a marginal decline on y-o-y basis.

Income

While elevated and sticky interest rates kept the Bank's Net Interest Income (NII) growth muted during the first half of the current financial year, its efforts to shed high cost preferential rate deposits to the tune of Rs 25,742 crore definitely helped in preventing a further slide in NII. Moreover, a prudent management of trading gains by cashing in on the market volatility also provided good support throughout this period. The Bank's **Total Income** stood at **Rs 10,447.31 crore** (up **9.4%,** y-o-y) in Q2, FY14 and at **Rs 21,164.80 crore** (up **12.11 %,** y-o-y) in H1, FY14.

Moreover, after several quarters, the Bank witnessed a healthy increase of **23.1%** (y-o-y) to **Rs 382 crore** in its earnings via "**Commission, Exchange & Brokerage**" – a key component of its fee-based income in the second quarter of the current financial year.

Expenditure

A significant increase in **Operating Expenses** of **33.3%** (y-o-y) to **Rs 1,744.07 crore** in Q2, FY14 was primarily contributed by an increase of **37.1%** (y-o-y) in **Employee Costs** on account of the Bank's prudent and timely provisions against wage revisions, AS-15 benefits (actuarial liabilities), etc. plus additional burden of dearness allowance adjustment on account high retail (CPI) inflation. The same factors have increased **Operating Expenses** by **30.1%** (y-o-y) in H1, FY14 to **Rs 3412.10 crore**.

Increased **Operating Expenses** combined with elevated **Interest Expenses** due to continued high levels of retail term deposit rates placed the Bank's **Total Expenses** at **Rs 8,322.73 crore** (up **16.1**%) in Q2, FY14 and at **Rs 16,588.60 crore** (up **16.5**%) in H1, FY14.

Provisions and Contingencies

Provisions and Contingencies (excluding tax provisions) of the Bank grew by **21.98%** during H1, FY14 on y-o-y basis to **Rs 1,878.69 crore** primarily due to higher provisions against standard advances in accordance with the RBI's revised restructuring guidelines. The Bank's efficient management of bond portfolio during Q2, FY14 despite heightened volatility and the RBI's timely dispensation helped it avoid significant mark-to-market valuation losses.

The **Bank's Provisions for Tax,** however declined by **68.0%** (y-o-y) in Q2, FY14 and by **47.6%** (y-o-y) in H1, FY14 due to a slowdown in earnings and allowable deductions on account of write-offs, etc.

Business Expansion

On a y-o-y basis, **Total (Global) Business** of the Bank increased by **17.8%** to **Rs 8,24,786 crore** in H1, FY14 from **Rs 7,00,330 crore** in H1, FY13. While **Total Deposits** increased by **18.8%** to **Rs 4,84,931 crore** as at end-September, 2013 from **Rs 4,08,150 crore** as at end-September 2012, **Total Advances** increased by **16.3%** to **Rs 3,39,855 crore** at end-September, 2013 from **Rs 2,92,181 crore** at end-September, 2012.

The Bank's **Retail Credit** increased by **20.0%** (y-o-y) in H1, FY14 to **Rs 41,090 crore** and formed **17.4%** of the Bank's **Gross Domestic Credit**. On year-on-year basis, while the Bank's **Credit to SMEs** expanded by **40.6%** to **Rs 51,913 crore**, its **Farm Credit** was down by **2.12%** and attained the level of **Rs 26,101 crore** by end-Sept, 2013. A negative growth in **Farm Credit** is primarily on account of the revised classification guidelines of the RBI, following which finance given to agro-processing units is getting covered under MSME segment rather than under Indirect Agriculture.

Asset Quality

Both **Gross NPA**(%) at **3.15%** and **Net NPA**(%) at **1.86%** at end-Sept, 2013 were in line with the expectations, given the continued stresses in manufacturing activity. The **Cash Recovery (**from **NPA** plus from the **written off Accounts)** during H1, FY14 stood at the higher level of **Rs 585.92 crore** versus Rs 447.41 crore in H1, FY13 while the **Upgraded Assets** amounted to an improved level of **Rs 334.44 crore** against Rs 238.07 crore in H1, FY13.

Despite the pressure on earnings, the Bank protected its **Provision Coverage Ratio** at **61.68%** as on 30th Sept, 2013.

Capital Adequacy

The Bank's **Capital Adequacy Ratio** was at **12.32% (as per Basel II)** as of September 30, 2013 despite a rich expansion of its loan book on year. Its **Tier 1** too was at the healthy level of **9.36%.** Under **Basel III**, the Bank's Capital Adequacy Ratio stood at **12.07%** with the **Tier 1** level at **9.25%** as on 30th September, 2013.

Key Financial Ratios

- The Bank's **Net Worth** expanded by **18.9**% (y-o-y) to **Rs 34,342 crore** as on 30th Sept, 2013.
- In annualized terms, the Bank's **Return on Equity** (%) stood at **13.61**%.
- Its **Return on Average Assets** (%) stood at **0.84**%.
- The Bank's **Book Value per Share** improved to **Rs 815.22** as on 30th Sept, 2013 from Rs 702.47 as on 30th Sept, 2012 (up **16.1%** y-o-y).

Overseas Business

Currently, the Bank is present in **24** countries through **101** offices. During the financial year so far, **the Bank has opened two new branches in its Overseas Subsidiaries** – Tanzania and Uganda in June-July, 2013 and closed one OBU (Offshore Banking Unit) in Mumbai.

During H1, FY14, the Bank's **Overseas Operations** contributed **32.1%** to its **Total Business**, **25.0%** to its **Operating Profits** and **30.58%** to its **Core Fee-based Income.**

Key Strategic Initiatives during H1, FY14

- The Bank shed **Preferential High-Cost Deposits** to the extent of **Rs 25,742** crore in H1, FY14 to control its cost of funds.
- To give a boost to **Retail/MSME businesses**, the Bank brought down the effective cost of borrowing not just for new borrowers but also for existing borrowers.
- 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. Its Central Sales Offices (CSOs) have been streamlined at the Zonal (or State) level to help create a "Sales and Service Culture" in the Bank. Moreover, it opened three **Agriculture Loan Factories** on a pilot basis in its Gujarat; Bihar, Orissa & Jharkhand; and Western UP zones during Apr-Sept, 2013.
- The Bank opened **208** new branches in its Domestic Operations and set up **1,476** new ATMs and **1,477** new POS machines (Point of Sale Machines) in H1, FY14. It also opened **30** e-Lobbies during H1, FY14 to offer 24*7 basic banking operations.
- During H1, FY14, the Bank's **HR initiative of Project *Sparsh*** was taken forward for Talent Identification and Creation of Scientific Model for Staffing & Manpower Planning.
- The Bank converted **33** additional Metro and Urban branches into **Baroda Next** branches during H1, FY14.
- The Bank's **Corporate Financial Service** branches and the newly created **Mid-Corporate** branches have been strengthened significantly during H1, FY14 to contribute to credit growth. As on 30th Sept, 2013, **8,324** villages with population more than 1,000 have been covered under the Bank's **Financial Inclusion** drive. Around **2,647 Ultra Small Branches** were in place as of 30th Sept, 2013 to support this initiative.

October 31, 2013
Mumbai

S. S. Mundra
Chairman & Managing Director