

CHAIRMAN'S STATEMENT

Dear Stakeholders,

It gives me great pleasure to place before you the highlights of the Bank's performance during the financial year 2020-21 (FY 2021). FY 2021 was an extraordinary year in many respects. The outbreak of the COVID-19 pandemic threatened the health and livelihoods, in absence of a cure. We share the grief of our fellow citizens and employees of the bank who have lost their near and dear ones in this pandemic. I admire with a sense of pride the role played by bank employees in giving services to people during these difficult times.

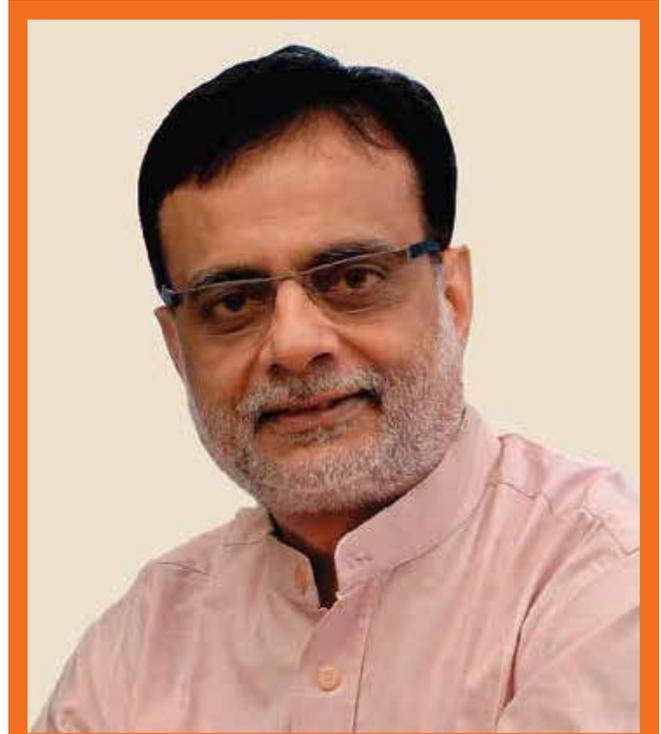
Countries all over the world imposed lockdowns while health infrastructure and systems were being ramped up. Lockdowns meant economic activity took a backseat. Contact intensive services suffered the most. Consumers had to spend more time at home than outside. As a result, demand for household goods and digitally delivered services soared.

The output gap created by lockdowns was filled in by expansionary monetary and fiscal policies. Globally, central banks reduced interest rates led by US Federal Reserve and conducted asset purchase programmes to inject liquidity. Fiscal policy moved hand-in-hand in order to mitigate the economic impact left by the pandemic.

Government of India announced economic measures ranging from cash transfers to allocation of food grains to marginal households, increase in rural employment spends, higher capital investments and credit guarantee scheme for MSMEs and sectors most impacted by the pandemic. As a part of its counter cyclical fiscal policy, Centre expanded its fiscal deficit to 9.3% of GDP in FY 2021.

RBI not only reduced its policy rate by 115bps to 4% but also took measures such as liquidity injection. Overall ₹ 15.7 lakh crore support was provided by RBI amounting to 8% of GDP. It also advised banks to offer moratorium to customers impacted by the pandemic. RBI also allowed banks to restructure loans to MSME and retail customers who have been impacted by the pandemic. The Kamath Committee identified sectors impacted by the pandemic where corporate loans could be restructured.

The lockdown gave time to ramp up our health infrastructure. The number of infections also started



Dr. Hasmukh Adhia
Chairman

falling after the peak reached in September. The measures announced by the Government and RBI and the opening up of the economy led to growth recovery from October 2020 onwards. Scientists all over the world developed vaccines which proved quite effective against COVID-19. India was one of the few countries able to discover an indigenous vaccine.

Banking sector - playing instrumental role

During these challenging times, banking services have been operational and have played a key role in implementing various economic measures announced by Government of India and RBI. Bank of Baroda was instrumental in offering moratorium and restructuring to customers impacted by the pandemic. The Bank also extended credit lines to customers under sovereign credit linked guarantee. Bank also transferred funds to beneficiaries identified by Government of India.

Digitisation

The need for digitally delivering banking services has never been felt as much as during the current times. Bank of Baroda has been digitising its operations and services as part of enhancing customer experience. For instance, a large proportion of deposit accounts opened by branches are in paperless format. Given the



ubiquity of a mobile handset and mobile application, mobile banking is now the centrepiece for offering digital solutions to our customers. For this, we have revamped our mobile application to offer more and more services.

The Bank has now extended its digital offering on the asset side as well by building a digital lending platform wherein end-to-end customer journey from sourcing to sanction to disbursement is being completely digitised. This will enable us to compete in the marketplace and offer superior products and services to our customers.

Recognition of efforts - EASE

Government of India has been ranking Public Sector Banks on the EASE 2.0 parameters across six themes namely 'Responsible Banking', 'Governance and HR', 'PSBs as Udyamimitra for MSMEs', 'Credit off-take', 'Financial Inclusion and Digitisation' and 'Customer Responsiveness'.

It is a matter of great pride that the Bank has been ranked "First" in the Government of India's EASE 2.0 index. Notably, in EASE 1.0 we were ranked "Second". The transformation effort at the Bank is showing results and I thank all our stakeholders, especially employees, for helping us achieve this.

Financial Performance

During FY 2021, the Bank's financial performance was resilient amidst the challenges. The asset quality has improved with GNPA ratio trending down to 8.87% from 9.40% in the previous year. The credit growth in select segments such as housing, auto and agriculture was above industry during the year. Bank's domestic CASA deposits increased by 16.48% as on March 31, 2021 and CASA ratio increased to 42.87%, an increase of 380 bps over March 2020.

The Bank has also optimised its branch network after amalgamation. Branches and ATMs which were in close proximity to each other have been brought together under one roof thus reaping synergies from the merger. The Bank's other operating expenses declined over the year.

Bank moved to lower tax structure under the new regime of Income Tax Act. Still, the Bank reported profit after tax of ₹ 829 crore as against ₹ 546 crore in FY 2020.

Bank has increased its capital adequacy ratio (CRAR) to 14.99% as of March 31, 2021 from 13.30% last year as the Bank has raised ₹ 4,500 crore by way of equity capital in the year. The Bank also raised additional funds through AT-I bond issuances of ₹ 3,735 crore.

Transforming for the future

The Bank of the future will have the right mix of physical and digital presence. Bank has introduced a new initiative "BOB NOWW—New Operating model and Ways of Working". The initiative is aimed at rightsizing our branch network by increasing customer touch points through digital formats and business correspondent network. Customer interface for lending will be more digital. The focus is on capturing the entire corporate value chain by cross-selling banking services such as cash management solution and supply chain finance. For the employees, the work environment will be more flexible with option to work from anywhere for select roles.

Looking ahead

As the economic recovery was gaining ground, the world and India have been gripped by a second wave. A number of Indian states had to announce local containment measures to curtail the spread of the pandemic. RBI has already announced Resolution Framework 2.0 for MSMEs, small businesses and individuals impacted by the second wave.

While the second wave will impact growth prospects in the short-term, India's long-term growth trajectory remains intact. Government has announced a series of reforms and economic measures such as privatisation policy, thrust on digitisation and production linked incentives for a number of growth sectors.

We at Bank of Baroda are well placed to grow and participate in the initiatives announced by the Government. We have raised capital and maintained a high Provision Coverage Ratio of 81.80% as of March 31, 2021. We are transforming our processes, products and services to create an agile organisation where employees will have hybrid working formats with select roles having the option to work from anywhere. I am pleased to be part of this journey.

Hasmukh Adhia
Chairman

