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Dear Comrades,

11th August , 2016

News of Interest 11th Aug

QUOTE OF THE DAY

“COMING TOGETHER IS A BEGINNING; KEEPING TOGETHER IS PROGRESS;
WORKING TOGETHER IS SUCCESS.”

“HENRY FORD “

- 1. RBI BOUGHT FOREX WORTH \$3.8 BN IN APR-JUNE**
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Business Standard

1.RBI bought forex worth \$3.8 bn in Apr-June

In its third bi-monthly policy review RBI said the pace of foreign direct investment inflows slowed in the first two months of 2016-17

Abhijit Lele

The Reserve Bank of India (RBI) bought foreign currency worth \$3.8 billion, on net basis, in April-June 2016 to shore up foreign exchange reserves.

June saw a sharp rise in net purchases at \$1.9 billion against a subdued activity in May 2016 when it bought just \$554 million, according to RBI data. According to data in the monthly bulletin (August 2016) the central bank had bought foreign currency resources worth \$10.28 billion in the previous financial year (2015-16).

RBI in its third bi-monthly monetary policy review for 2016-17 said the pace of foreign direct investment inflows slowed in the first two months of 2016-17.

Yet, the net portfolio flows were stronger after the Brexit vote, notwithstanding considerable volatility characterising these flows. The level of foreign exchange reserves rose to \$365.7 billion by August 5, 2016.

Meanwhile, flows into deposits kept by non-resident Indians (NRIs) with banks dipped sharply in April-June 2016 period to \$1.3 billion from \$5.8 billion in the year-ago period. The pool of outstanding deposits was \$126.18 billion at the end of June 2016. The amounts in FCNR-B stood at \$45.07 billion, NRE accounts stood at \$71.14 billion and those in NRO accounts was \$9.96 billion, RBI said.

Substantial amount of deposits from FCNR-B pool would get redeemed after September on maturity of three-year tenure.

Assuaging fears over adverse effect of outflows from FCNR-B deposits on maturity, RBI Governor Raghuram Rajan said the central bank has signed forward contracts for 80 per cent of dollar requirements to meet obligations. It also has ample reserves to curb excess volatility in the market.

Banks had raised nearly \$34 billion between September and November 2013, out of which \$27 billion was through FCNR (B) deposits, maturing mostly in three years. Banks, then, swapped those dollars with the RBI. The central bank readied itself by buying forwards dollar. These foreign exchanges resources were raised in 2013 to bolster India's foreign exchange reserves and also contain the volatility of rupee then. The swaps and the forwards will take care of the dollar requirement and should be neutral for the reserves.

2. SBI Life embedded value at Rs 12,999 crore

The company reported net profit of Rs 215 cr for the first quarter of FY17

M Saraswathy

SBI Life Insurance has announced its embedded value as Rs 12,999 crore on March 31, 2016.

The insurer's new business margin, based on medium term acquisition expense assumption, stood at 16 per cent and on current level of acquisition expense, stands at 14.2 per cent. It reported a net profit after tax of Rs 215 crore for the first quarter of FY17, an increase of six per cent over the last year in the same period.

Arijit Basu, MD & CEO, SBI Life Insurance said "We registered a strong growth of 78 per cent in its New Business Premium in the Q1 of FY 16-17, which helped us increase our market share within the private players to 21.2 per cent vis-a-vis 14.6 per cent last year," he said. The company reported a Net Profit after Tax of Rs 215 crore for the first quarter of FY17, an increase of 6 per cent over the last year in the same period.

In the first quarter of FY 16-17, the Assets under Management for the Company rose by 15 per cent at Rs 85,922 crore as against the same period in the last year. The Company recorded a growth of 69 per cent in its Individual New Business Premium (APE), while the industry reported a growth of 16 per cent.

SBI Life Insurance is a joint venture between State Bank of India and BNP

Paribas Cardif. SBI owns 74 per cent of the total capital and BNP Paribas Cardif the remaining 26 per cent.

3. Bigger NBFCs must be inspected regularly: Rajan

Says he has done 90-95% of what needs to be done

BS Reporter & PTI

Inspection of bigger non-banking financial companies (NBFCs) on a more regular basis is among Reserve Bank of India (RBI) Governor Raghuram Rajan's unfinished agenda.

In an interaction with television channels, Rajan said the asset portfolios of such NBFCs must be treated on a par of those of banks.

"What we do want to ensure is the bigger NBFCs are inspected regularly and that their asset portfolios are seen with the same kind of caution we see banks', noting, however, that because they are financed usually with longer-term money, that they have a different capital requirement, that we can be a little more liberal on the risk that they take," Rajan said in a television interview.

He called the political attacks on him as abominable. Rajan said he was open to staying a bit longer to complete the unfinished work of bank clean up, but was perfectly happy to go, too. "Some of these (recent) attacks were abominable, that is imputing sort of motives, alleging things completely without any basis," he told a channel.

The governor made it clear that he does not want any particular segment to be exposed to any major risk. Allowing even a little risk-taking tend to affect banks, he said. Especially with respect to loan against property, Rajan said what they don't want was the banks being heavily exposed. "Somebody has to finance those loans and those loans aren't easily financed through a bond markets. So NBFCs do take up that kind of lending. What we have to make sure is that they have the full incentive to recover on those loans," Rajan said in the interview.

Even with respect to entities like micro-finance institutions (MFIs) getting small bank licences, Rajan was asked about any possible red flags as there was an exponential growth even in their finances. "Remember that one of the factors in the economy today is that public sector bank loan growth is much weaker and as a result something else is filling the gap. Now, we have to be very careful that while the public sector banks are dealing with their balance sheet problems, we don't completely shut off credit growth elsewhere. That is why private sector banks are also growing at 20-25 per cent," he said.

Among the questions he faced was one on crony capitalists and their dues to banks. There has been a rumour that crony capitalists had a hand in his not getting an extension. "I don't think you should attribute this to some hidden hand. I feel, I have done what was needed to be done, if they had such power they would have stopped me (from doing) what was needed."

On unfinished business, Rajan said, "The main issue is there are some things that remain unfinished." He, however, added that 90-95 per cent of the job that he had taken on was complete and he had absolute freedom in doing his work.

Rajan said he had an agenda of things that needed to be done. He knew holding off tough decisions was not the answer as things would get very difficult in the future. "It is important to build a political consensus for these things, so we work

with the government. The whole AQR (asset quality review) exercise was initially advertised to the government and then we worked with the government on rolling it out. So the political support for this has been built. But eventually if you make enough enemies on many fronts, maybe they get angry. But I do not worry about that," he said.

He attributed his strengths to his academic background.

"First, university gives you a pretty thick skin. There are lots of attacks. I don't even pay any attention to it. However, obviously in this job there are legitimate criticisms ... and those you can address and those I have tried to address in various speeches because it is important to convince the public in this country about the way you are going and why you are doing it. Because ultimately only with conviction will there be durability," he said.

Financial Express

4. Do we need more banks? The challenges are immense

Gross non performing assets (NPAs) for a clutch of nine public sector banks have increased by over Rs.14,000 crore to over Rs 2 lakh crore in the three months to June. Their combined losses, however, have narrowed significantly compared with the March quarter.

By: [FE Bureau](#)

Gross nonperforming assets (NPAs) for a clutch of nine public sector banks have increased by over R14,000 crore to over R2 lakh crore in the three months to June. Their combined losses, however, have narrowed significantly compared with the March quarter.

In Q1FY17, the GNPA's of each of these nine lenders were higher than those for the quarter ended March — an indication that fresh slippages outpaced recoveries.

The combined loan book shrank by over R47,000 crore (q-o-q) during the quarter resulting in the total GNPA's, as a percentage of advances, stood at 11.58% at the end of Q1FY17.

The worst performance is that of the Chennai-headquartered Indian Overseas Bank (IOB), which saw an additional R3,864 crore worth of loans turning non-performing during the quarter, driving up the lender's GNPA ratio to 20.48%. The 308 bps sequential jump in GNPA's was also partly the result of the bank's loan book shrinking by over R7,000 crore during the quarter.

After the declaration of the June quarter results, the bank said in a note, "As the bank was in consolidation mode, credit growth was contained consciously in the back drop of low credit off-take."

IOB's net NPAs (NNPAs), as a share of advances, have now been over 10% for two consecutive quarters. According to Reserve Bank of India's (RBI's) prompt corrective action (PCA) framework, when a bank's NNPAs are between 10% and 15%, it needs to, among other measures, take steps to reduce loan concentration and not enter new lines of business.

IOB, however, was not the only one among the nine PSBs to witness a shrinkage in its loan book in the June quarter. Except for Andhra Bank, each of the other eight saw their loan books shrink.. The largest among these nine — Punjab National Bank — in fact was the one that saw the biggest sequential shrinkage of over Rs.20,000 crore or more than 5% of its loan book at the end of March.

The New Delhi-headquartered bank's MD & CEO Usha Ananthasubramanian attributed its negative loan growth during the quarter to exercising of caution while lending to corporates. "I wouldn't say that processing of loans was very easy earlier, but we have made it very stringent now. We are looking for highly-rated accounts like the AAAs and the AAs, but it does not mean we will shy away from B-rated accounts," Ananthasubramanian said at media interaction.

With slippages not abating and the loan book shrinking, analysts at Jefferies are of the opinion that the normalisation of PNB's return ratios is quite some time away. "While we think NPL recoveries may continue for another 2-3 quarters, lack of a downtrend of new NPL formation is a dampener," they observed.

The other large PSB among these nine to be facing the twin headwinds is Union Bank of India, which saw its GNPA's rise by over R3,000 crore and loan book shrink by over R9,000 crore during the quarter ended June. Analysts at Axis Capital, who expect the bank to continue to set aside large sums for bad loans in the medium term, gave a thumbs down to its June quarter numbers terming it a 'sub-par performance' and 'below already low expectations'.

Union Bank chairman & MD Arun Tiwari, however, remains optimistic and is of the opinion that the bank's GNPA's might have peaked and normalisation should begin soon. "The GNPA numbers have peaked and we will see decline in numbers going ahead. We expect to exit this fiscal with GNPA's at 8.5-9%," he said.

5. Bank of Baroda Q1 net profit falls 60% to Rs 423.62 crore

Bank of Baroda reported 59.73 per cent year-on-year fall in net profit figures at Rs 423.62 crore for the quarter ended June 30, 2016 against Rs 1052.15 crore in the corresponding quarter a year ago.

By: [FE Online](#)

Bank of Baroda reported 59.73 per cent year-on-year fall in net profit figures at Rs 423.62 crore for the quarter ended June 30, 2016 against Rs 1052.15 crore in the corresponding quarter a year ago. Net interest margin of the bank fell by 2.56 per cent year-on-year to Rs 3371.09 crore during the quarter under review. Total income fell to Rs 1,877.91 crore during the quarter under review as against 1,2243.72 crore in the same period a year ago.

Gross non-performing assets (NPAs) of Bank of Baroda stood at Rs 42,992.68 crore for the quarter ended June 30, 2016 against Rs 17,273.95 crore year ago. The net NPAs increased to Rs 20,783.77 crore from Rs 8470.02 crore.

Asset quality of the bank deteriorated further as percentage of gross non-performing assets (NPAs) rose to 11.15 per cent of gross advances as on June 30, 2016 against 9.99 per cent for the sequential quarter ended March 31, 2016. Percentage of net NPAs stood at 5.73 per cent against 5.06 per cent on quarter on quarter basis. Fresh slippages of the bank stood at Rs 5527 crore for the quarter ended June 2016 against Rs 5932 crore for the quarter ended March 31, 2016.

Shares of the bank were trading 5.58 per cent down at Rs 151.35 in the morning trade.

6. FinMin issues new guidelines for approval of public-funded schemes

Taking forward expenditure reforms, the finance ministry on Wednesday issued new forward-looking comprehensive guidelines for appraisal and approval of public-funded schemes and projects linked to outcomes.

By: FE Bureau |

Taking forward expenditure reforms, the finance ministry on Wednesday issued new forward-looking comprehensive guidelines for appraisal and approval of public-funded schemes and projects linked to outcomes.

With the announcement in the latest Budget that Plan and non-Plan distinction would be done away with from FY18, it had become necessary to put in place an appraisal and approval system agnostic to such differentiation of expenses.

"The department of expenditure has accordingly undertaken a comprehensive review of the instructions issued over the last three decades, and replaced them with a simpler framework which will greatly improve the efficiency with which schemes and projects are appraised and approved in our system," the ministry said in a statement.

The new guidelines will help bring in the concept of outcome evaluation to improve the delivery of public goods and services to the citizens, it said.

While administrative ministries have been delegated powers to appraise schemes and projects costing up to R500 crore through their Standing Finance Committee and Delegated Investment Boards respectively, specific time frame for appraisal have been laid down for speedier decision-making.

Business Line

7. Corporation Bank Q1 net down Rs 168 cr

Corporation Bank registered a net profit of ₹35.92 crore in the first quarter of 2016-17 as against a profit of ₹204.26 crore in the corresponding period of previous fiscal, recording a decline of 82.41 per cent.

Addressing presspersons in Mangaluru on Wednesday, Jai Kumar Garg, Managing Director and Chief Executive Officer of the bank, attributed this decline in net profit to the increase in NPAs (non performing assets) and provisions related to that.

The gross and net NPAs of the bank stood at 11.52 per cent (5.43 per cent) and at 7.22 per cent (3.55 per cent), respectively, during the period. He said that total provision was ₹761.28 crore, and the operating profit was ₹797.20 crore during the quarter.

TURNAROUND

Stating that the bank had registered a loss of ₹510.97 crore in the fourth quarter of 2015-16, he said the bank has now recorded a profit from that level. "If you see the quarter on quarter, we are showing a turnaround in profit," he said, adding Corporation Bank is one among a few banks showing profit in first quarter of 2016-17 after showing a loss in fourth quarter of 2015-16.

Asked about the outlook for the coming quarters, Garg said the bank will focus on recovery in the coming quarters.

CASA

At a time when overall deposit growth was 3.33 per cent, the CASA (current account savings account) deposits have shown a growth of 13.96 per cent. In the meanwhile, the bulk deposits have come down from 49.97 per cent in Q1 of 2015-16 to 44.52 per cent in the Q1 of 2016-17, he said.

The net interest income of the bank stood at ₹1031.16 crore (₹1080.72 crore), and non-interest income at ₹517 crore (₹401.83 crore) during the period.

On Wednesday, the scrip of the bank closed at ₹40.80 on BSE, down 0.73 per cent, against the previous close of ₹41.10.

(This article was published on August 10, 2016)

8. Banks planning more all-women branches, House panel told

Public sector banks (PSBs) are exploring the feasibility of opening more all-women branches, the Finance Ministry has informed a Parliamentary panel, which noted in its report that "not a single public sector bank" had so far designated 15 per cent of its branches as all-women branches, as recommended by it last year.

At present, 17 banks have a total of 301 such branches so far, led by State Bank of India with 119 branches and Indian Overseas Bank with 60 all-women branches, the Ministry informed the Committee on Empowerment of Women, headed by BJP leader Bijoya Chakravarty.

The committee, which presented its seventh report to Parliament on Wednesday, while lauding the banks for exploring the feasibility of more such branches, also noted that "precious little" had been done.

Banks need to hasten the process to cater to multiple needs of women customers and provide a "more safe and convenient" working environment, it added.

The panel, which had also recommended flexi-hours for women bank staff, said it was "perturbed" by SBI's submission that this was "unfeasible," adding that flexi-hours would allow women to strike a balance between professional and family responsibilities and maintain a healthy lifestyle.

It expressed unhappiness with the ministry citing a host of operational issues as reasons for going slow on it, and said the government had failed to grasp the essence of this recommendation.

Flexi-hours for women bank employees was all the more doable now, "owing to increasing dependence on network-based systems where physical presence of service provider and customers under one roof need not always be a pre-requisite to transact deals", it added.

(This article was published on August 10, 2016)

9. Punjab & Sind Bank posts ₹53.35-crore profit in Q1

Punjab & Sind Bank reported a 23.60 per cent increase in net profit at Rs. 53.35 crore in the first quarter ended June 30, 2016 as against Rs. 43.16 crore in the year ago quarter. Net interest income was up 8.52 per cent year-on-year (yoy) in the reporting quarter at Rs. 561.13 crore. Other income rose 9 per cent to Rs. 121.59 crore. Provisions towards bad loans increased to Rs. 207 crore (Rs 199 crore in the year ago quarter). Gross non-performing assets (GNPAs) jumped to Rs. 4566 crore (Rs 3300 crore). In percentage terms, GNPAs rose to 7.23 per cent of total loans (5.17 per cent in the year ago quarter). Shares of the public sector bank closed at Rs. 51.85 apiece, up 4.01 per cent over the previous close, on the BSE.

(This article was published on August 10, 2016)

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY