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Dear Comrades,

12th November , 2016

News of Interest 12th Nov

QUOTE OF THE DAY

“PRESS FORWARD. DO NOT STOP, DO NOT LINGER IN YOUR JOURNEY, BUT STRIVE FOR THE MARK SET BEFORE YOU. “

GEORGE WHITEFIELD

- 1. PATIENCE WEARS THIN AS CASH RUNS DRY ON DAY 3**
- 2. SBI Q2 NET DOWN 35% AT RS 2,538 CR ON HIGH NPA PROVISIONS**
- 3. BANKS EXPECT 5/25, SDR CASES TO INCREASE AS NEW DEBT RESOLUTION SCHEME KICKS IN**
- 4. BANKS SAY NOTE EXCHANGE FACILITY BEING MISUSED**
- 5. OLD NOTES: EXEMPTIONS EXTENDED TILL NOV 14**
- 6. IOB RECORDS ₹765-CR LOSS**
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Business Standard

1. Patience wears thin as cash runs dry on Day 3

But RBI says enough cash available with banks; Rs 500/1,000 notes valid for key utility payments till Nov 14

BS Reporters

Crowds continued to swell at bank branches with people trying their luck on the second day after banks reopened following the move to discontinue Rs 500 and Rs 1,000 notes. On Friday, there were long queues outside bank branches and automated teller machines (ATMs).

Several ATMs of private and public sector banks were still not functional.

The lack of cash resulted in customers scurrying from one ATM to the other. Some banks like Dhanlaxmi Bank had clearly marked a big X at ATMs that had no cash, while others had 'out of service' boards on the machines.

Customers were also upset about people using multiple cards to withdraw more than the permissible Rs 2,000.

Customers said banks had clearly underestimated the pressure on branches when ATMs were shut. Some incidents of damaged notes being dispensed by bank staff and ATMs were reported.

With increasing complaints coming in from banks and people still clamouring to change the old Rs 500 and Rs 1,000 notes, the government on Friday extended their use for paying household utility bills, fuel, taxes and fees as well as purchases from cooperative stores till November 14, as it struggles to make available alternative currency.

Existing Rs 500 and Rs 1,000 notes ceased being legal tender from midnight of November 8, and new notes in denominations of Rs 500 and Rs 2,000 were released.

State Bank of India (SBI) said banks had received deposits of Rs 40,000 crore since the government banned the circulation of high-value banknotes. Arundhati Bhattacharya, chairperson of SBI, said though the cash was drying up, they were taking care of it. The country's largest bank had exchanged nearly Rs 1,700 crore till 6 pm on Friday.

She added that there was no need to panic since there were 50 more days for people to deposit old currency notes.

A senior finance ministry official told Business Standard that initial problems had been anticipated. "It was known that there would be initial issues. That is why the Prime Minister and finance minister appealed to the public for their cooperation," the official said.

The Reserve Bank of India in a statement said, "There is enough cash available with banks and all arrangements have been made to reach currency notes all over the country. Bank branches have already started exchanging notes."

Bhattacharya said SBI had provided for separate queues at branches for senior citizens and women as well as for those who were coming in to exchange the notes.

Privilege customers and high net-worth individuals were being given better and faster services at some banks. Banks were also ensuring that no fake notes were being passed on and were taking a cautious approach to handling the cash being deposited.

A spokesperson for Axis Bank said, "We have additional counters at our branches and have also made special arrangements for senior citizens. Customers can continue to transact through their cards and digital channels."

Bank officials said that only Rs 100 notes would be filled into ATM machines since the new Rs 500 and Rs 2,000 rupee notes had a size incompatible with the cash trays and the machines would have to be reconfigured before these new notes could be dispensed.

The finance ministry official said, "There are more than 200,000 ATMs in the country. Their software has to be reconfigured not just centrally but also individually by going to each ATM. This is a huge logistical challenge, but ATMs will have more cash gradually."

Among the large banks, 50% of SBI's ATMs were functioning and the rest are expected to be operational by tomorrow. The SBI Group has about 60,000 ATMs countrywide.

National Payments Corporation of India said both the number of RuPay card transactions and their value doubled on November 9 and 10 from the daily average.

2. SBI Q2 net down 35% at Rs 2,538 cr on high NPA provisions

Bank raises forecast for deposit growth; provisions for bad loans almost doubled from a year earlier to Rs 767 cr

Abhijit Lele

State Bank of India's (SBI) bottom line came under pressure in the second quarter ended September 2016 on a sharp rise in provisions for bad loans and lower interest income.

The country's largest lender reported a 34.6% fall in its net profit to Rs 2,538 crore from Rs 3,879 crore in the same period a year ago. Sequentially, its net profit rose marginally from Rs 2,520 crore in the first quarter of 2016-17.

A tidy rise in other income – treasury revenue, fees and service tax refund of Rs 796 crore – supported its profits. Other income rose by 35.9% to Rs 8,424 crore during the quarter from Rs 6,197 crore in Q2FY16.

Reflecting concerns over slippages and credit costs, SBI's share fell by 3% to Rs 272 at close of trading on the BSE on Friday.

The net interest income - earnings from loans minus expenses on deposits - was flat (1.3% rise) at Rs 14,437 crore, from Rs 14,252 crore in Q2FY16. The lower credit offtake and reduction in lending rate impacted the bank's interest income, SBI Chairperson Arundhati Bhattacharya said.

Provisions for non-performing assets (NPAs) rose to Rs 7,669 crore from Rs 3,841 crore in the same quarter a year ago. In the first quarter of 2016-17, SBI had made provisions of Rs 6,339 crore for NPAs.

The bank's provision coverage ratio improved to 62.12% in September 2016 from 61.57% in June 2016.

Its pool of bad loans grew sharply in 12 months to Rs 1,05,782 crore from Rs 56,834 crore a year ago. Sequentially, SBI managed to keep its asset quality under check as its gross NPAs were at Rs 1,01,541 crore at the end of June 2016.

Slippages into the bad loan category were about Rs 10,341 crore during the second quarter of 2016-17 from Rs 5,875 crore in the same period a year ago.

The outlook for resolution of stressed accounts was improving and recent amendments to rules for restructuring schemes would aid recoveries, Bhattacharya said.

SBI's watch list for corporate loans that have high chances of slippage has declined to Rs 25,000 crore at the end of September from Rs 31,000 crore at the end of June.

SBI's deposit base grew by 13.76% to Rs 18,58,999 crore and it raised the guidance for deposit growth to 15-15.5% from 13.5%. This revision comes on the back of a surge in money deposited in current and savings accounts after the government scrapped Rs 500 and Rs 1,000 notes as legal tender.

The bank's gross advances rose by 8.11% to Rs 14,81,831 crore. While retail credit – home, personal and vehicle loans – grew by 20.4% to Rs 3,50,465 crore, loans to small enterprises shrunk by 6% to Rs 1,66,052 crore.

SBI's capital adequacy ratio was 13.94% with Common Equity Tier I Capital at 10.28%.

Have confidence in professionals running Tata group Cos: SBI chairman

State Bank of India Chairman Arundhati Bhattacharya said the Tata group companies were ably managed by professionals.

Speaking to media after announcing the bank's second quarter results, SBI chairman said, "what owners do is not a concern as long as companies operate in a responsible manner."

The tussle between Ratan Tata, interim chairman of Tata Sons Ltd (TSL) and Cyrus Mistry, ousted chairman of TSL, had got the country's largest bank worried.

The bank's management has heard both sides and there has not been any intervention from the lender's side.

SBI had advised them to resolve the conflict in an amicable way to avoid any adverse impact on the working of operating companies in the group.

3. Banks expect 5/25, SDR cases to increase as new debt resolution scheme kicks in

NPAs and provisioning requirement for banks to come down

Nupur Anand & Abhijit Lele

Banks and corporate have welcomed the easing of the various debt restructuring norms by the Reserve Bank of India that has expanded the scope of these schemes allowing companies from other sectors apart from infrastructure to also be a part of some schemes. Apart from this, the provisioning requirement and the quantum of bad loans on the book of the banks is also expected to go down as these tools to manage bad loans can be extended to more companies that are struggling.

"We could see reduction in restructured loans/NPLs by 2HFY17 as it can be implemented immediately. It would not be surprising if we see reduction in fresh slippages in FY2018 as 5:25 scheme gains traction. One can see immediate upgrades or reduction of SMA-2 loans of the banking system. M&A deals could slow down as it gives lenders and borrowers some headroom to tackle their challenges," said a report by Kotak Institutional equities.

Analysts believe that the public sector banks and in the private banks lenders like ICICI Bank and Axis Bank will stand to benefit.

As a result of the change in S4A norms bankers say that both lenders and companies stand to gain as it will lead to lower provisioning requirement and this in turn will have a positive impact on the bank's profit and loss account. Also, with the change in S4A norms that allows the unsustainable part to be upgraded to sustainable (with certain riders) will also have a positive impact on the bank's balance sheet as the quantum of bad loans will go down.

"Apart from this it will also help the companies undergoing S4A as once the unsustainable part is upgraded then they can also attract capital from banks and other financial institutions which can help in making the project viable in the long run," said N S Venkatesh, Executive Director, Lakshmi Vilas Bank.

Apart from this RBI has also made changes to schemes that allow banks to extend the re-payment schedule of loans to 25 years, with an option to re-finance them at the end of five years.

Now, it has allowed lenders to extend this 5/25 scheme even to the new project loans. Apart from this scheme can be extended to existing project loans that have an aggregate exposure of Rs 250 crore to banks as compared to the earlier mandate of

Rs 500 crore. This in turn means that several mid-sized companies can also be a part of the scheme. Also, the 5/25 scheme can be extended to construction companies as well.

"It is not just S4A but all the other changes made in the debt resolution schemes such as 5/25 and SDR etc will improve resolution and recovery. With lowering of threshold to Rs 250 crore many more cases can be dealt under these schemes," said Arundhati Bhattacharya, Chairman, SBI.

A partner with an international consultancy firm also said that this move will allow banks to go back to business as usual and kick the can further down the road with a lack of focus on a viable turnaround plan.

"So banks may buy time but the problem will come back to bite them unless real changes in the business are made," he added.

Economic Times

4. Banks say note exchange facility being misused

By Dheeraj Tiwari

Confusion over the facility for exchanging old high-denomination notes, subject to a limit of Rs 4,000, at banks and post offices by providing valid identity cards has led to some people misusing the system to legalise their unaccounted wealth.

At present, the exchange facility is a one-time window and the limit will be reviewed after November 24. Several bank officials told ET that the exchange of demonetised Rs 500 and Rs 1,000 notes over the counter for Rs 4,000 is being misused and banks are taking steps to address the issue.

A senior official with the State Bank of India said the Reserve Bank of India has sent an email to banks stating that the exchange facility for Rs 4,000 is a one-time window. "But we have no way to track whether an individual has already availed of this benefit at another bank," he said.

"The intention is to support people to meet exigencies. The ATMs are now functional and people can withdraw money as per the existing limits," said a senior official with Punjab National Bank, adding that some individuals are misusing this window by going to different branches of a bank or other banks.

People can also use multiple IDs at the same branch or post office as systems are not in place to verify transactions.

State-run Central Bank of India has developed software to keep track of the Aadhaar number and PAN card of beneficiaries, which is shared across all its branches, an official said.

"It is taking time to update, given the huge flow of people, but we are ensuring that the facility is made available only once and is not misused," he said.

A senior official with Corporation Bank said that individual branches are maintaining a similar database and no person can exchange currency for more than Rs 4,000 at the same branch.

"We are educating people on the guidelines – some of them don't know about it and are not coming with any mala fide intention," he added.

A finance ministry official said all such data will be collated and tracked. "If there is any unusual pattern of withdrawals from any Aadhaar number and PAN account, we will be investigating such case," he said.

Specified bank notes of aggregate value of Rs 4,000 or below may be exchanged for any denomination of bank notes with a requisition slip in the format specified by the Reserve Bank and proof of identity, the RBI said in a circular dated November 8.

"The limit of Rs 4,000 for exchanging specified bank notes shall be reviewed after fifteen days from the date of commencement of this notification and appropriate orders may be issued, where necessary," the RBI said.

Cash withdrawal from a bank account over the counter is restricted to Rs 10,000 a day, subject to a limit of Rs 20,000 a week, until November 24.

Withdrawal from ATMs is restricted to Rs 2,000 per day per card up to November 18.

Financial Express

5. Old notes: exemptions extended till Nov 14

OUR BUREAU

A few hours before the 72-hour exemption (from November 8) granted to certain services allowing them to accept old ₹500 and ₹1,000 notes ended on Friday, the Finance Ministry decided to extend it until November 14, with some modifications and additions.

While maintaining that there is enough cash with the RBI and that supply of cash to bank branches and ATMs is being stepped up gradually, a Finance Ministry statement said that after closely monitoring the implementation of the decision and considering representations received from different quarters, a decision had been taken to extend the timeline.

The modifications/additions to the list are: payment of court fees, requirement of ID proof of customers for transactions in consumer cooperative stores, payments towards utility bills restricted to only individuals/households for arrears and/or current bills (no advance payments allowed).

The Finance Ministry statement also said that payments in toll plazas of State and National Highways will be deleted from exemptions, considering that the Ministry of Road Transport and Highways is separately issuing instructions in this regard. Suspension of toll tax on National Highways has been extended till midnight on November 14 Road Transport Minister Nitin Gadkari said on Friday.

To mitigate the inconvenience to the public in the transition period, the government had allowed government hospitals, the railways, airline and government bus ticket counters, as well as milk booths, petrol pumps, consumer cooperative societies, crematoriums and burial grounds, and foreign currency exchange facilities at airports to accept these notes till November 11.

Subsequently, it had added purchase of metro rail tickets, toll payments, purchase from government and private pharmacies based on a doctor's prescription, gas cylinders, railway catering and entry tickets to Archaeological Survey of India monuments in the exempted list.

6. IOB records ₹765-cr loss

OUR BUREAU

Indian Overseas Bank's net loss has widened to ₹765 crore for the quarter ending September 30, from ₹551 crore in the same quarter last year.

Sequentially, the loss was lower than the ₹1,450 crore reported in the first quarter of this year.

Total income in the second quarter declined 12 per cent to ₹5,962 crore (₹6,770 crore).

Gross non-performing assets (GNPAs) stood at ₹34,724 crore (21.77 per cent of total advances) against ₹33,913 crore (20.48 per cent) in the previous quarter.

Recovery in NPA accounts for the half year ending September 30 was ₹3,534 crore and during the second quarter it was ₹2,069 crore, said a press release from the bank.

Capital adequacy ratio was 10.15 per cent. The bank issued tier-II bonds for ₹800 crore during the first week of November which will improve the capital adequacy ratio, a release from the bank said.

Additional charge

The bank, in an announcement to the BSE, said that R Subramania kumar, Executive Director of the bank, will hold additional charge as Managing Director and CEO with immediate effect.

On the BSE, the bank's shares closed at ₹25.95, down 2.81 per cent.

7. Outsourced ATMs remain shut for business

VINSON KURIAN

ATMS operated directly by banks have opened for business after a mandated two-day shutdown, according to information reaching here.

These ATMs are serving requests for transactions from customers who have accounts with the host banks only. ATMs outsourced to third parties are likely to remain shut for a third day today.

A few ATMs that opened for business in Thiruvananthapuram this morning ran out of cash within a couple of hours. A lone machine at the Statue Junction in the city centre is working now.

This machine had started off the morning with fresh loads of Rs 4 lakh in cash in Rs 100 and lower denominations but ran itself out soon. It has since been replenished with another Rs 2 lakh.

There is a limit on withdrawals than can be transacted from ATMs fixed at Rs 2,000 per day until November 18 which will be raised to Rs 4,000 subsequently.

Information reaching from Kochi said most ATMs except those run by a few new-generation banks remain closed. Some of these are expected to open from afternoon depending on arrival of cash.

Shortage of Rs 100 and Rs 50 combined with the delay in updating software to enable ATMs handle the new Rs 2,000 note may have queered the pitch for banks today.

8. Demonetisation effect: SBI gets ₹39,677 cr in deposits

OUR BUREAU

State Bank of India is dealing with a problem of plenty on the deposits front. This is thanks to demonetisation of ₹500 and ₹1,000 bank notes.

Arundhati Bhattacharya, Chairman of India's largest bank, said the amount that was deposited on Thursday was around ₹22,150 crore.

Around ₹723 crore was also exchanged (old ₹500 and ₹1,000 notes).

Until 6 pm on Friday, the total deposit of cash was ₹17,527 crore; the total exchange of cash was ₹943 crore.

In just one day, SBI's savings deposits have gone up by ₹11,000 crore. Normally, savings deposits go up by about ₹8,000 crore per month. The bank's current account deposits have gone up by ₹7,000 crore in just one day.

The SBI chief said: "So, obviously there will be a huge amount of current account, savings account (CASA) inflow. Not all of it will stay in CASA. But some amount of it definitely will.

"All these new people for whom we are opening accounts may not be from the top-rung of society, but they are people who are diligent hard workers, who actually have put together the money over a long period of time. Once they understand the ease or comfort of coming into a bank and putting it there and having it saved, we will find many more savers."

She emphasised that to that extent a very large advantage has been given to the bank in ensuring that more and more of these people come into the banking system.

"Surely, the cost of funds is something that is going to ease with the kind of CASA deposits that are flowing into our branches. "This kind of demonetisation effort is actually very disinflationary. And because it is disinflationary, we believe lending rates will come down," felt Bhattacharya.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY