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Dear Comrades,

20th August , 2016

News of Interest 20th Aug

QUOTE OF THE DAY

“FRUSTRATION, ALTHOUGH QUITE PAINFUL AT TIMES, IS A VERY POSITIVE AND ESSENTIAL PART OF SUCCESS. “

BO BENNETT

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1. Ten trade unions stick to plan for one-day nationwide strike

The transport, banking and industrial sectors are likely to be affected on September 2 with 10 central trade unions (CTUs), barring the RSS-affiliated Bharatiya Mazdoor Sangh (BMS), on Friday announcing their plan to go ahead with a one-day strike to protest against the government’s alleged anti-worker, anti-people policies.

By: FE Bureau

The transport, banking and industrial sectors are likely to be affected on September 2 with 10 central trade unions (CTUs), barring the RSS-affiliated Bharatiya Mazdoor Sangh (BMS), on Friday announcing their plan to go ahead with a one-day strike to protest against the government’s alleged anti-worker, anti-people policies.

In a joint declaration, the CTUs expressed their dismay over the government changing the labour laws to "throw even the overwhelming majority of the organised sector workers out of the coverage and purview of all basic labour laws and appeal to all working class people, irrespective of their affiliations, to join in the strike".

"Such a retrograde move of the Centre and the states, aimed at imposing slavery on the working people, has to be combated resolutely by the united movement of the workers," it said. The 10 CTUs have a combined membership of 6 crore.

AITUC general secretary D L Sachdeva claimed that transportation would be the most affected on September 2. Impacts could also be seen in banking, insurance and others sectors of the economy.

Central government employees would also join the stir.

Last year, also on September 2, trade unions gave a strike call, but sans the participation of the BMS, which pulled out at the last moment; the strike only had negligible impact.

Sachdeva, however, said this time, the strike will have a major impact since workers are frustrated with the government's policies and so the response would be overwhelming.

CTUs said their 12-point charter of demands, including minimum wages and universal social security, were not met, and the group of ministers headed by finance minister Arun Jaitley appointed to address the issues has not convened a single meeting since last year.

"It is only talking to the BMS, which has not joined the strike call. We condemn the move of the government to divide the workers in the face of the ongoing strike campaign," it said

2. SBI soars 4 per centon merger nod, SBT jumps 6 per cent

Shares of State Bank of India (SBI) closed at Rs 258.50, up 4.15%, driving the BSE Bankex up to a 52-week high of 22,352.07 on Friday after the country's largest lender announced its board had cleared the merger of its five associate banks with the parent.

By: FE Bureau

Shares of State Bank of India (SBI) closed at Rs 258.50, up 4.15%, driving the BSE Bankex up to a 52-week high of 22,352.07 on Friday after the country's largest lender announced its board had cleared the merger of its five associate banks with the parent. On the NSE, the stock closed 4.06% higher at Rs 258.50.

The Bankex closed the session at 22,296.27, up 100.55 points or 0.45%. The Sensex closed at 28,077, down 0.17% or 46.44 points. Shares of Bank of Baroda (BoB) rallied the most on the index as the stock closed up 4.56% at Rs 161.65.

Shares of other banks such as Federal Bank, Punjab National Bank, YES Bank and ICICI Bank were up between 1% and 3%. Among the banks that ended the trading session in red were HDFC Bank, Axis Bank, IndusInd Bank and Kotak Mahindra Bank, whose shares lost between 0.50% and 0.76%.

Shares of two of the SBI's associate banks – State Bank of Bikaner & Jaipur (SBBJ) and State Bank of Travancore (SBT) – were up 1.47% and 6.17%, respectively, to close at Rs 683.20 and Rs 537.05.

At the other end of the spectrum, shares of State Bank of Mysore were down around 12% to close at Rs 546.55.

According to the merger proposal, shareholders of SBBJ will get 28 shares of SBI (Rs 1 each) for every 10 shares (Rs 10 each).

In a similar arrangement, shareholders of SBM and SBT will receive 22 shares of SBI for every 10 shares. In the case of Bharatiya Mahila Bank (BMBL), 4,42,31,510 shares of SBI will be swapped for every 100 shares of Rs 10 each.

Shares of SBI have gained 15.19% so far this calendar year, while stocks of SBBJ, SBM and SBT have gained 30.37%, 29.2% and 28.33%, respectively. The BSE Bankex index has gained 15.35%, outperforming the benchmark Sensex, which grew 7.50% during the same period.

In 2008, SBI had merged State Bank of Saurashtra with itself. Two years later, State Bank of Indore was merged. Last month, the Cabinet had cleared the merger of all the five associate banks of SBI with the parent and acquisition of BMBL.

The merger would now require the approval from the government and various regulators including the Reserve Bank of India.

Post merger, SBI will become big enough to compete with the major ones across the globe with an asset base of Rs 37 lakh crore with 22,500 branches and 58,000 ATMs.

The combined entity will have more than 50 crore customers.

Business Standard.

3. Krishnamurthy, MD & CEO of Catholic Syrian Bank, quits

Sources in the bank confirmed he had resigned last week due to financial performance over the last one year

T E Narasimhan Nupur Anand

Anand Krishnamurthy, managing director and chief executive of Catholic Syrian Bank, has resigned, a year after taking over the posts.

Calls to his office remained unanswered. Sources in the bank confirmed he had resigned last week due to financial performance over the last one year. The bank reported a loss of Rs 149.72 crore in 2015-16. Percentage of gross non-performing assets had shot up to 5.62 per cent and net NPAs to 4.40 per cent of total loans in 2015-16.

Before taking over in July 2015, Krishnamurthy had been associated with the bank for the past one year and was previously responsible for corporate banking, SME business, and integrated treasury operations as head of wholesale banking and treasury.

SME is small and medium-sized enterprises.

"The bank is in the process of looking for another chief executive. This time we

are not going to look at people from our bank or from foreign banks. We will try to finalise the names soon," said a top official from the bank's board.

Both Krishnamurthy and Rakesh Bhatia, former managing director and chief executive, were from foreign bank HSBC. Bhatia had roped in other foreign bankers after joining.

Earlier, the Kerala-based bank was planning to raise around Rs 400 crore through initial public offering (IPO) of shares, but dropped the plan, and is talking to at least three private equity investors, including Fairfax, for raising funds. Sources said the lender had decided to clean up its balance sheet and improve its financial performance before going for an IPO. The Reserve Bank of India has been asking the lender to list on exchanges; the company is among the few commercial banks in the country yet to be listed.

The bank is one of India's oldest private sector banks, with headquarters in the Thrissur district of Kerala. For over nine decades, it remained a neighbourhood bank. The company has a strong base in Kerala, and a significant presence in Tamil Nadu, Karnataka, and Maharashtra.

4. SBI merger: the winners and losers

Does SBI really benefit from the merger or is the government trying to sweep the dust under SBI's carpet?

Shishir Asthana

What has surprised the market on State Bank of India's merger announcement was the timing more than the ratio. Analysts expected an announcement in FY17, but fast-tracking the entire process has been a pleasant surprise for the market.

However, the merger ratio leaves very little room for an upside. Part of the reason for no gains for investors of the smaller banks is that they had already run up immediately after the announcement. Smaller banks had jumped by around 30%, leaving very little on the table for investors when the final swap ratios were announced.

In fact, the ratio is not favourable for State Bank of Mysore, which incidentally had moved up the most when government announced the merger plan.

Bank unions from smaller banks have been opposing the merger since its announcement. But is their stance justified? Further, does SBI really benefit from the merger or is the government trying to sweep the dust under SBI's carpet?

Given the current aggressive competition from the private sector banks, the smaller public sector banks would have been left behind in the race.

Take their performance in the June 2016 quarter, for instance. We shall consider comparing the June quarter numbers as the banks have been asked to clean up their books and align recognition of NPAs as per SBI's standard and of course they were supposed to comply with RBI's Asset Quality Review (AQR).

State Bank of Mysore barely posted any growth in its interest income. In fact, on a year-on-year basis, there was a marginal loss. But the story starts to reveal in the segment-wise reporting, where the bank has posted a loss in its corporate banking and surprising a huge loss in its retail banking division. The only division that was profitable was its treasury.

The same is true for State Bank of Travancore and State Bank of Bikaner and Jaipur on all parameters. All three banks reported a loss in the June quarter.

The cleaning-up of their books will take one more quarter as per SBI management in their media interaction. Gross NPA of the five associate banks (two unlisted apart from the three mentioned above) in quarter ending June 2016 stands at 9.14% as compared to 5.98% in the March 2016 quarter. The five associate banks reported a loss of Rs 2,018 crore in the June quarter as compared to a standalone profit of Rs 2,521 crore by SBI.

The three listed banks have for the first time in recent past shown a loss in the retail banking space, an area where the private players dominate. If left alone, it would have been very difficult for these banks to compete. Under SBI, the product offering would be standardised with stricter KYC norms and centralised banking keeping vigil on the assets.

For the government, it also makes sense to track a bigger bank rather than feeding the smaller ones with capital infusion every year.

For SBI, there is a cost involved, mainly in terms of superannuation. But the bank adds more branches and gets more deposits with a minimal dilution. The fresh issue of shares as a result of the merger exercise will result in an equity share dilution of 1.8% and will increase the consolidated equity by 1.1%, thereby leading to a negligible book value per share dilution of 0.6%.

However, SBI's capital adequacy ratio is likely to fall by over 50 basis points once the merger with its associate banks is complete.

The bigger question is the impact the merger will have on the health of SBI. Cumulative bad loans of the five associate banks are now as big as 35% of the bad loans of SBI. Their slippage ratio stands at 20% and credit costs have deteriorated to 5.56%. It is precisely this reason that the smaller banks were asked to come clean before the merger.

While arriving at the swap ratio, book value of SBI was considered at a conservative level of one while the other banks were valued at slightly lower levels depending on the deterioration of their books.

Despite the current status of the assets, SBI officials now sound very bullish over the merged entity prospect. SBI's MD and CFO, Anshula Kant said the cost synergy benefits would take a while to come into play, but that is definitely one of the biggest upsides of this merger.

Among the major synergies will be treasury improvement, and lower cost of funds. SBI's treasury earns 90 basis points more than the average earning of the five treasuries of its associates. Also, SBI's cost of deposits is lower.

The merger will result in SBI being the 44th largest global bank and the largest Indian bank by a mile. With a market share of nearly a fourth of the Indian market SBI is clearly a bank that is too big to fail.

5. Rupee tumbles to 3-week low

Weak equity markets also hit rupee sentiment

Press Trust of India

The rupee on Friday tumbled by 24 paise to close at three-week low of 67.05 a dollar on sustained demand for the US currency from banks and importers amid rise in crude oil prices.

Weak equity markets, too, hit rupee sentiment, a dealer said.

Falling for the second day, the rupee opened sharply lower at 66.95 a dollar from Thursday's close of 66.81 per dollar at the Interbank Foreign Exchange (Forex) market. It dropped further to 67.0650 before closing at three-week low of 67.05 a dollar, showing a loss of 24 paise or 0.36 per cent.

The rupee had last closed at 67.14 a dollar on July 27, 2016.

Globally, markets turned cautious after a Federal Reserve policymaker said the US economy is strong enough to warrant an increase in interest rates soon. Brent crude oil held firmly above \$50 a barrel in Asian trade on Friday as a bullish momentum continued, fuelled by hopes of an output freeze by key producers and data showing robust US demand.

Crude oil imports form a major chunk of the country's import basket and high oil prices raise concerns over capital outflows.

Meanwhile, the dollar index was trading up by 0.29 per cent against a basket of six currencies in late afternoon trade.

The Reserve Bank fixed the reference rate for the dollar at 66.9296 and for euro at 75.8714.

In cross-currency trades, the rupee dropped further against the pound sterling to 87.97 from 87.86 yesterday and also moved down further against the euro to 75.91 from 75.72.

The domestic currency also fell against the Japanese yen to 66.92 per 100 yens from 66.63.

In the forward market, premium for dollar continued to decline due to persistent receiving's from exporters.

The benchmark six-month premium for January 2017 fell to 177-179 paise from 179-181 paise yesterday and for forward July 2017 contract also moved down to 376-378 paise from 379-381 paise.

Meanwhile, the benchmark BSE Sensex fell by 46.44 points or 0.17 per cent to 28,077.00.

6. Federal Bank starts new referral option in its mobile banking app

By Pratik Bhakta, ET Bureau

Kerala based private sector lender Federal Bank BSE 2.39 % has announced a reward program for their customers who refer Fed Mobile, the bank's banking transaction app, to friends or relatives.

The app link can be shared with the friends just by clicking "Refer A Friend" option in the home page of the Fed Mobile app. A customer who refers the app to a friend is not incurring any cost as the message can be transmitted using What's app, mail, Facebook etc. When the referred friend does first transaction using the app, the customer who referred will receive Rs 50. A customer can refer any number of customers and earn up to Rs.250.

Federal Bank's Fed Mobile gives convenient banking facilities to the customers. Funds Transfer, touch recharge, 270 plus bill payments like electricity bills, telecom, gas, insurance, mutual funds, donations etc. can be done using the app. Customers can also schedule their future payments in advance.

"The exponential growth and usage of mobile phones have overpowered the shine and charm of all other devices. Keeping this in mind we go by the theme, Federal on Every Mobile and we are improving our Mobile banking services continuously," said Babu K A, Head - Digital Banking

7. Andhra Bank teams up with Geojit for 3-in-1 online platform

OUR BUREAU

Andhra Bank has launched a three-in-one online investment and trading platform in association with Geojit BNP Paribas Financial Services.

The account, christened AB eTrade, integrates savings and demats accounts with online trading.

Using this facility, customers can invest in equity, mutual fund and other capital market products.

"AB eTrade is a secure customer-friendly product and it features easy trading.

"This offers customers real-time online access to bank account, demat account and trading account through web and mobile applications as well as through 'call and trade'," Andhra Bank said in a release issued here on Friday.

The customers will have the convenience of the bank settling trades online on the basis of net obligation, it added.

(This article was published on August 19, 2016)

8. Vijaya Bank earmarks ₹1,800 cr for next round of UDAY bonds

ANIL URS

Vijaya Bank is planning to participate in the next round of the Centre's UDAY scheme — a revival package for electricity distribution companies.

"Now Tamil Nadu, Andhra and Telegana are part of the UDAY scheme and are expected to issue bonds. We are keen to take part. We have set aside ₹1,800 crore towards it," Kishore Sansi, Managing Director and CEO, Vijaya Bank, told *BusinessLine*.

"The UDAY bonds from these southern States are likely to be issued this quarter (second quarter) or by December," he added.

Earlier this year, bank had also participated in the UDAY scheme by investing ₹3,500 crore when the northern States of Rajasthan, Uttar Pradesh and Haryana issued bonds.

ATM scheme

On August 15, Vijaya Bank launched a novel scheme revolving around its 1,694 ATMs spread across the country. "Vijaya Bank will pay 50 paise for every transaction made at ATM kiosks towards charity or for social causes. We have

linked the scheme to transaction at ATMs mainly to popularise its usage," said Sansi. "The scheme is independent of the bank's Corporate Social Responsibility (CSR) activity, but proceeds of the ATM scheme will be utilised for worthy causes like taking care of the 32 healthcare centres run by the bank in rural and remote areas, providing water purifiers to schools, providing solar pumps and operating ambulances," he said.

Branch opening

Vijaya Bank on Friday opened its 1,900th branch at Chandra Layout in Bengaluru. Speaking on the occasion, Sansi said: "In Vijaya Bank's 76-year history, the bank had opened 1,000 branches till year 2007. But in the last nine years, with aggressive banking operations, we have opened 900 new branches – almost 100 annually."

"Of the 350 new branches opened in the last two-three years, each branch has witnessed ₹20 crore transactions," he added.

(This article was published on August 19, 2016)

9. PV Sindhu creates history, wins silver medal in Olympics

Jamie Alter

PV Sindhu has won India's second medal of the 2016 Rio Olympics, but it isn't the one she, her coach P Gopichand and all those who tuned into the gold medal women's singles badminton match at the Riocentro on Friday wished for. Sindhu, tenth in the global rankings, lost to Spain's Carolina Marin, ranked No 1, 21-19, 12-21, 15-21 to settle for silver.

Defeat will sting Sindhu, for she had rallied superbly to come back from 6-11 and win the first game, but it needed something far greater to beat a champion like Marin, who has done more for Spanish badminton than Rafael Nadal has for tennis. Marin dreamt of an Olympic gold in Rio de Janeiro and made it a reality with some high-quality badminton. Sindhu can carry her head high.

Indeed, it is a remarkable achievement for the 21-year-old shuttle at her first Olympic games, coming as it did with five wins in a row, the last two of which came over the world No 2 and No 5 respectively. On the biggest day of her career, Sindhu never stopped fighting and has won the biggest prize in the history of Indian badminton - an Olympic silver, to go past Saina Nehwal's bronze four years ago in London.

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)
GENERAL SECRETARY**