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Dear Comrades,

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News of Interest 3rd APR

MOTIVATIONAL QUOTES

“SUCCESS IS NO ACCIDENT. IT IS HARD WORK, PERSEVERANCE, LEARNING, STUDYING,
SACRIFICE AND MOST OF ALL, LOVE OF WHAT YOU ARE DOING OR LEARNING TO DO. “

PELE

1. AFTER MERGER WITH ASSOCIATES, SBI TO PRUNE COST-TO-INCOME RATIO TO 46%
2. B P KANUNGO TAKES OVER AS NEW RBI DEPUTY GOVERNOR
3. MAHESH JAIN IS IDBI BANK'S NEW CEO
4. SBI SEES COST SAVINGS, NO BAD LOANS SURPRISE AFTER MERGER WITH UNITS
5. UNION BANK CMD ARUN TIWARI TELLS EMPLOYEES TO INTENSIFY BAD LOAN RECOVERY
6. 2,800 EMPLOYEES OF SBI'S ASSOCIATE BANKS OPT FOR VRS
7. TO STAY OR NOT TO STAY, THAT IS THE DILEMMA FOR SBI'S ASSOCIATE BANK EMPLOYEES

Business Standard

1. After merger with associates, SBI to prune cost-to-income ratio to 46%

Merged entity will have deposit base of more than Rs 26 lakh crore

Abhijit Lele

State Bank of India (SBI) will, after the merger of its associates with itself, cut the cost-to-income ratio to 46 per cent in the medium term through expenditure savings.

Dinesh Khara, managing director (associates and subsidiaries), SBI, said the ratio for the lender was 49.5 per cent while for the associates it was 52.4 per cent. There will

be savings on costs via branch rationalisation. The country's largest lender will have to improve productivity by using the experience of professionals with the associate banks. The thrust will be on increasing fees by selling financial products such as mutual funds, insurance policies and investment advisory. This will help to improve the ratio and returns in the medium term, Khara told Business Standard on Monday.

At a media briefing on the merger process, SBI Chairman Arundhati Bhattacharya said the group would transfer data for the associates over the weekend and the process would be completed by May 27. The associate banks had made additional provisions of Rs 8,600 crore for non-performing assets before integration. "Increase in NPAs is not necessary (post-merger) as associate banks had a number of accounts which were standard, but those were already NPAs with us. So, to that extent, those things have been put on the same platform." Only 2,800 employees of the five associates have applied for voluntary retirement scheme (VRS), of the 12,000 who are eligible for it, Bhattacharya added.

The group began to tighten provisioning norms for the associate banks in early 2016-17, helping to bring them on a par with the parent.

Five associate banks — State Bank of Hyderabad, State Bank of Mysore, State Bank of Bikaner and Jaipur, State Bank of Travancore and State Bank of Patiala — and Bharatiya Mahila Bank merged with SBI on April 1.

The merged entity will have a deposit base of more than Rs 26 lakh crore and advances of Rs 18.50 lakh crore.

2. B P Kanungo takes over as new RBI deputy governor

Earlier, he served as RBI's executive director

Press Trust of India

B P Kanungo on Monday took over as the Deputy Governor of the Reserve Bank of India (RBI).

The government on March 11 appointed Kanungo, who was holding the position of Executive Director of RBI, as Deputy Governor for a period of three years.

Kanungo will look after the departments of currency management, external investments and operations, government and bank accounts, and information technology, payment and settlement systems.

He will also look after foreign exchange department, internal debt management department, legal department and premises department.

Kanungo had joined the RBI in September 1982.

He has worked in several functional areas of the banks such as foreign exchange management, banking and non-banking supervision, currency management, government and bank accounts and public debt.

He has served as the head of regional offices of RBI at Jaipur and Kolkata besides holding the position of the Banking Ombudsman for Madhya Pradesh and Chhattisgarh.

As executive director, he looked after foreign exchange management, internal debt management and government and bank accounts.

Three other Deputy Governors of RBI are: S S Mundra, N S Vishwanathan and Viral V Acharya.

3. Mahesh Jain is IDBI Bank's new CEO

Jain's focus areas: Retail loans, bad assets resolution

Abhijit Lele

Protection of the bottom line, focus on retail lending and resolution of bad assets will be the key priorities of the new managing director and chief executive officer of IDBI Bank, Mahesh Kumar Jain.

Soon after taking charge on Monday, Jain went into a huddle with top managers to review conditions at the bank. Later, addressing employees, he sought their cooperation to ride successfully out of the present trying times.

He told employees during a brief interaction that the fruits of collective efforts will go to them, while he will take responsibility for any setback.

The government has transferred K Kharat, erstwhile managing director and chief executive of IDBI Bank, to Chennai-based Indian Bank, which Jain headed till the end of March.

The emphasis will be on extending loans that attract lower risk weights, thus helping to conserve capital. Growing secure retail loan book, with low default probability, would be one strategy to expand capital light business.

IDBI Bank's retail book stood at Rs 59,187 crore at the end of December 2016, out of total advances of Rs 2,32,552 crore. The retail book was Rs 52,448 crore in December 2015, out of total loans of Rs 2,19,393 crore.

Maximum efforts should be put on the resolution and recovery from stressed assets, he said in a short address to employees.

The bank booked net loss of Rs 1,958 crore in April-December 2016. The losses were Rs 3,665 crore in 2015-16.

There has been no internal accrual in 2015-16 to strengthen capital base. This year (2016-17) is also expected to end up in losses.

Its capital adequacy ratio (CAR) was 11.29 per cent at the end of December 2016, with common equity tier I of 7.24 per cent.

Financial Express

4. SBI sees cost savings, no bad loans surprise after merger with units

State Bank of India, the nation's top lender by assets, expects no nasty surprises on bad loans after merging five subsidiary banks with itself at the weekend in a deal that will help it save costs and gain scale, senior executives said

By: Reuters

State Bank of India, the nation's top lender by assets, expects no nasty surprises on bad loans after merging five subsidiary banks with itself at the weekend in a deal that will help it save costs and gain scale, senior executives said. The government-driven move to merge State Bank of Bikaner and Jaipur, State Bank of Hyderabad, State Bank of Mysore, State Bank of Patiala and State Bank of Travancore with SBI, which

already owned majority stakes in the units, is seen as the beginning of consolidation in India's public sector banks.

SBI also took over Bharatiya Mahila Bank, a niche lender to women, as regulators aim to strengthen the sector with fewer but better-capitalised lenders at a time when Indian banks are battling record bad loans and need billions of dollars in new capital. The merger will catapult SBI to the league of the top 50 global banks by assets, the lender said, with a far bigger presence in all corners of the country, with some 24,000 branches and 370 million customers.

The bank will relocate some 1,800 branches to better utilise resources, go slow on opening new branches and shuffle staff in a bid to save costs, said its Chairman Arundhati Bhattacharya and other senior executives at a news conference on Monday. The more than 200-year-old bank has also begun a voluntary retirement scheme to rationalise its headcount.

Bhattacharya took the helm of the parent bank in late 2013 and has since surprised the market by managing bad loans better than its state-run peers, who together account for bulk of India's \$149 billion soured assets.

She sought to assure investors at the conference that there will be no nasty surprises on bad loans going forward. The subsidiaries have a higher bad-loan ratio than the parent.

SBI started preparing early, and has made additional provisions of about 86 billion rupees (\$1.3 billion) over and above what it needed to make after the asset quality review ordered by the Reserve Bank of India, Bhattacharya said.

"To that extent we are very well-positioned for taking the merged group forward," she said.

After it reports annual results in May, SBI will set some "quantitative goals" including the absolute savings they can achieve for the merged group, Bhattacharya said.

The banks aim to merge all their databases by May 27, while a complete integration will happen in the June quarter, senior executives said.

Economic Times

5. Union Bank CMD Arun Tiwari tells employees to intensify bad loan recovery

By *Atmadip Ray*, ET Bureau

State-run Union Bank of IndiaBSE -0.32 % chairman Arun Tiwari has urged employees to double the intensity in sticky loan recovery and upgradation as non performing assets-led stress keeps the banking sector captains on their toes.

Recovery helps banks in freeing up capital while the government has limitations in infusing funds in state-run banks on a continuous basis.

In a communication addressing employees on the first day of the new fiscal, Tiwari said that the focus would remain on asset quality even as the bank grew advances by 9% to Rs 3 lakh crore at the end of March.

"Banking sector is mirror image of larger happenings in economy. With economy on mend, there will be opportunities aplenty, particularly in financing consumption, housing, and infrastructure," he said adding: "Asset quality strains will ease with debt-servicing improving. We should remain watchful, however; and double the intensity of efforts in recoveries and up-gradation."

Union Bank was sitting on a gross NPA of Rs 32,400 crore at the end of December, which was 11.7% of the total advances. There was an addition of Rs 10,000 crore of fresh NPAs during the period while it managed to reduce NPAs by Rs 2061 crore in the first nine months to December.

The bank recovered Rs 855 crore of loans, upgraded loans worth Rs 658 crore and written off Rs 548 crore in this period.

Union Bank is looking to focus on retail, agriculture and MSME led asset growth and scale-up digitisation to compete with rivals and the new entrants in the banking field.

Tiwari said advances crossed Rs 3 lakh crore while deposits stood at above Rs 378000 crore, with annual growth rate of over 9% and 10% respectively. CASA ratio stood at 34.4% compared to 32.4% a year ago.

Its share prices closed 0.32% lower Monday to Rs 155.45 on BSE.

"There is a positive under-current gaining force with expanding reach of banking, digital deepening and of course, twin forces of competition and consolidation. These forces are shaping new financial order, wherein, capability and agility could be the real differentiator between winners and losers," the CMD said.

6. 2,800 employees of SBI's associate banks opt for VRS

OUR BUREAU

About 2,800 employees of the erstwhile associate banks of State Bank of India have opted for voluntary retirement so far, according to SBI Chairman Arundhati Bhattacharya.

Around 12,500 employees (out of the total associate banks' employee strength of about 70,000) are eligible for opting for the voluntary retirement scheme, which was announced in the run-up to the merger of the five associate banks with State Bank of India.

"Employees who have opted for VRS at present are around 2,800. And definitely, we will look at their application and if it falls within the norms we will give them VRS," said Bhattacharya.

The five associate banks — State Bank of Bikaner & Jaipur, State Bank of Hyderabad, State Bank of Mysore, State Bank of Patiala, and State Bank of Travancore — have come out with a golden handshake scheme to provide 'a good opportunity to employees who may genuinely want to retire voluntarily on account of uncertainties related to possible relocation and change of job profile, post-acquisition'.

Eligibility for scheme

The VRS is open to all permanent award staff and officers of the bank, except those specifically mentioned as 'ineligible', who have put in 20 years of service or have completed 55 years of age as on November 30, 2016. The scheme closes on April 5.

Bhattacharya said: "Last time when we had done the merger, we saw that there were a few people who wanted to opt out. And, therefore, this time we wanted to give this channel for people who really feel that they would rather do something different.

"There is no force in the matter at all. It is totally their call. And if they have taken it then we fully respect it."

"We don't have any discretion in the matter. If people apply and they are eligible, then we will have to let them go," she said.

To a specific question on whether SBI employees will be offered VRS, the SBI chief said: "At this point no. Going forward, we will see."

Transfer of staff

Bhattacharya observed that SBI had opened a portal in which employees can give options regarding transfers.

"We had almost 150 people opting to go to the North-East, which is great for us because that is an area where we would like to put more people into.

"Almost 15,000 people from among associate banks have given their transfer options and it will be our endeavour to try and ensure that we are able to keep those requests. We will do it to the extent possible," she said.

The SBI chief emphasised that there will neither be any movement for the sake of movement nor for throwing the weight around of the parent organisation. Whatever movements are going to occur, will take place in a very systematic and well-thought-out manner.

"We are also trying to take this chance of trying to honour transfer requests from our own employees also. So, we are doing a kind of a clearing house for our own employees also," she added.

7. To stay or not to stay, that is the dilemma for SBI's associate bank employees

LN REVATHY

Employees of associate banks of State Bank of India, who probably wanted to work in the parent organisation, particularly those who have over 10 years experience, may reconsider their resolve, primarily because their acceptance of the offer to join State Bank of India would be deemed as "new employment".

The bank has, in its offer letter, advised the employees to indicate their Terminal Benefit Option of either going with SBI's Terminal Benefit conditions or preferring to stay put with the superannuation benefit of the respective associate bank.

By opting for the SBI Terminal Benefit, the associate bank employees, who joined service after April 1, 2010 would get the bank's contribution to Provident Fund from the date of joining SBI, gratuity and Defined Contributory Pension Scheme (DCPS) pension as available to SBI employees.

However, those who choose to continue with the terminal benefits presently available in the respective associate bank, will not be entitled to SBI terminal benefits or any other additional benefits, and facilities available to SBI employees would stand withdrawn from the effective date (April 1, 2017).

The offer letter has also stated that the Special Compensatory Allowance (SCA) and Special Balancing Allowance (SBA) will not be payable to associate bank employees as they would be joining SBI, whereas these allowances are payable to those who

were in the service of SBI as on the date of respective settlements (that is July 23, 2003 for SCA and November 1, 2007 for SBA).

Coming down heavily on such discrimination, union sources say "such clauses are unjustified and aimed at throwing people out."

"We were expecting additional hands post-merger. We are now afraid that many will leave and we will be left with skeletal staff. I foresee the exit of experienced hands, leaving a vacuum in the middle management level," said Thomas Franco, General Secretary, All India Bank Officers' Confederation.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY