



ALL INDIA UNION BANK PENSIONERS AND RETIREES FEDERATION
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Dear Comrades,

28th April , 2017

News of Interest 28th APR

MOTIVATIONAL QUOTES

“YOU CAN'T WAIT FOR INSPIRATION. YOU HAVE TO GO AFTER IT WITH A CLUB.”

JACK LONDON

HIGHLIGHTS

- 1. KOTAK MAHINDRA BANK Q4 NET PROFIT UP 33% AT RS 1,404 CR**
- 2. RBI PRESCRIBES RULES FOR CHIEF RISK OFFICERS IN BANKS**
- 3. BANDHAN BANK Q4 PROFIT RISES 127%**
- 4. NO NEED TO WORRY TOO MUCH ABOUT NPAS, SOLUTION SOON: SANTOSH KUMAR GANGWAR**
- 5. PSU BANKS MAY BE ASKED TO TAKE OVER NON-PERFORMING ASSETS**
- 6. AT SBI, IT IS BACHELOR'S PARTY TIME**
- 7. CENTRE LOOKING TO DOUBLE TIME LIMIT FOR DECLARING OVERDUE MSME LOANS AS NPA**

Business Standard

1. Kotak Mahindra Bank Q4 net profit up 33% at Rs 1,404 cr

Total income up at Rs 9,954 cr in Q4 from Rs 7,910 cr a year ago

Abhijit Lele

Private sector lender Kotak Mahindra Bank's consolidated net profit rose by 33% to Rs 1,404 crore for the January-March 2017 quarter from Rs 1,055 crore a year ago on the back of higher net interest income, fees and commissions.

Net interest income, the difference between interest earned and interest expended, increased by 17% to Rs 2,890 crore. Other income that includes fees, commission etc also increased to Rs 4,299 crore as compared to Rs 2,593 crore in the same quarter last year.

Net interest margin, a key indicator of the bank's profitability expanded to 4.6% from 4.4% in the corresponding quarter last year.

Consolidated net profit for the financial year ended March 2017 (FY17), went up by 43% to Rs 4,940 crore from Rs 3,459 crore in FY16.

Standalone net profit rose by 40% in the March quarter to Rs 976 crore. For the full year 2016-17, standalone net profit grew 63% to Rs 3,411.5 crore.

The bank saw a 41% increase in its savings account growth and a 19% rise in its current account growth. Current and savings deposits as a percentage of total deposits grew from 38% in March 2016 to 44% in March 2017.

Consolidated advances rose 15% year-on-year to Rs 1,67,125 crore. Uday Kotak, executive vice-chairman and managing director, Kotak Mahindra Bank, "Credit grew by 20% in fourth quarter of FY17. With signs of pick-up in credit demand, the bank is confident of growing the FY18 loan book at levels seen in the fourth quarter."

The bank saw a slight uptick in bad loans with the percentage of gross non-performing assets (NPA) increasing to 2.25%, up 14 basis points (bps) sequentially and 19 bps year-on-year. Net NPA also increased to 1.09% in March 2017 from 0.93% a year ago. Most of the slippages in the fourth quarter were from the loan book of ING Vysya Bank, which was merged with Kotak Mahindra Bank.

Kotak said that the credit cost, which is the amount set aside for stressed loans and standard assets, declined to 61 bps at the end of March 2017 from 82 bps in last year. The trend of declining credit costs will continue in 2017-18, the bank said.

At the end of the March quarter, restructured loans considered standard were down to 0.07% of net advances to Rs 102 crore.

On March 29, 2017, Kotak Mahindra Bank launched 811, the zero-charge digital bank account, to promote a digital banking system via mobile phones.

Standalone other income grew 47% to Rs 1,003 crore in the March quarter. Elaborating on the rise in other income, group chief financial officer Jaimin Bhatt said, "Of this, Rs 750 crore came from fees and commissions and the balance from areas like treasury operations."

The bank remains well-capitalised with a consolidated capital adequacy ratio of 17.2% with tier-1 ratio at 16.5% at the end of March 2017.

On its capital raising plan and reducing the promoters' stake, Kotak said the bank would work on it after its shareholders' meeting on May 9, 2017. The bank board had cleared a proposal to raise equity capital by issuing 62 million shares, which will need shareholders' nod. Based on Thursday's closing price of Rs 914.55 per share, it could raise about Rs 5,600 crore.

2. RBI prescribes rules for chief risk officers in banks

The CRO will not have any reporting relationship with business verticals

Abhijit Lele

As a step to bring uniformity in risk management across banks, Reserve Bank of India has prescribed rules for chief risk officer (CRO) stating that he shall directly report to chief executive officer, managing director, and board panel.

The CRO will not have any reporting relationship with business verticals, nor will he be given any business targets.

The CRO should not be given the responsibility of positions like chief executive officer, chief operating officer, chief financial officer, chief of internal audit function, RBI said in communication to banks' chief executives.

Rules say banks shall lay down a board-approved policy clearly defining the role and responsibilities of the CRO. The official will be a senior person with the necessary and adequate professional qualification/experience in areas of risk management.

The CRO shall have direct reporting lines to the managing director and chief executive officer. In case the CRO reports to the managing director and chief executive officer, the risk management committee of the board shall meet the CRO on a one-to-one basis. Such a meeting should be held without the presence of the managing director and chief executive officer, at least on a quarterly basis.

3. Bandhan Bank Q4 profit rises 127%

Performance was on the back of healthy growth in its microfinance portfolio

Anup Roy

Kolkata-based private sector lender Bandhan Bank on Thursday reported 127.46 per cent rise in its fourth quarter profit, as it continued to see healthy growth in its microfinance portfolio.

Profit for the quarter ended March was at Rs 323 crore, compared with Rs 142 crore in the year-ago period. This was also the first full year of the bank in which it posted a profit of Rs 1,111 crore.

Net interest income of the bank for the full year was at Rs 2,403.50 crore. Advances grew 51 per cent for the full year. Nearly 91 per cent of the portfolio consisted of microfinance loans. Going forward, the bank will increase its loan offering to other retail products such as loans for affordable housing, SME etc, but will also continue to focus on microfinance to create capabilities in unbanked people, Chief Executive Officer and Managing Director Chandra Shekhar Ghosh said in an interaction with reporters.

The net interest margin of the bank was at 10 per cent, largely because the high rate of interest on microfinance loans and also because of the huge Interbank Participation Certificate (IBPC), or priority sector loans the bank lent to other banks during the year.

Financial Express

4. No need to worry too much about NPAs, solution soon: Santosh Kumar Gangwar

The huge load of bad loans of public sector banks is not too much of a worry line for the government and a likely solution will be worked out soon, Union minister Santhosh Kumar Gangwar said today.

By: PTI

The huge load of bad loans of public sector banks is not too much of a worry line for the government and a likely solution will be worked out soon, Union minister Santhosh Kumar Gangwar said today.

“Non-performing assets (NPAs) are not a subject to worry about too much. I think we will find a solution to the problem soon,” the minister of state for finance said on the sidelines of an event here.

Asked about a timeframe to resolve the issue, all that the minister said was the government will let it out soon.

Bad loans of public banks rose by over Rs 1 lakh crore to Rs 6.06 lakh crore during April-December of 2016-17, the bulk of which came from power, steel, road infrastructure and textiles sectors. The gross bad loans stood at Rs 5, 02,068 crore at the end of 2015-16.

Economic Times

5. PSU banks may be asked to take over non-performing assets

BY DHEERAJ TIWARI

In a fresh approach to tackle bad loans in state-run banks, the government is looking at possible takeover of troubled projects by state-run firms operating in related sectors, two senior officials said. The government has asked all banks to identify top 50 non-performing assets (NPA) in each sector.

This list will then be shared with all concerned ministries to work out faster resolution mechanisms or take over by state run firm in some cases, a government official said. “Some of these assets can be salvaged through some proactive policy action. We will be asking the concerned administrative ministries to suggest measures and, if possible, then a state-run firm can take over these assets,” the official said.

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As per the latest government data, public sector banks’ gross bad loans rose by over Rs 1 lakh crore in the first nine months of last fiscal year to Rs 6.07 lakh crore by end December, from Rs 5.02 lakh crore at the end of March 2016. While they are struggling to deal with bad loans, the banks have managed to slow down its growth rate. Their gross NPAs had stood at Rs 2.67 lakh crore at the end of March 2015.

The central government will also bring state governments on board in case the issue is state specific, said the official quoted earlier. “In some cases if there are local issues or clearances required at state level, this will be taken up with the respective state government.”

A finance ministry official said the new approach is in sync with the government’s idea to further empower banking sector regulator Reserve Bank of India through an amendment in the Banking Regulation Act “This will further strengthen the various steps being planned under the new Bankruptcy norms,” the official said.

Business Line

6. At SBI, it is bachelor’s party time

LN REVATHY

This is the season for marriages and naturally there is plenty of talk about the costs associated with it.

State Bank of India, the country's largest bank, is trying to do its bit to help ease the fear of marriage expenses by providing an allowance to its employees.

But there are some caveats. The marriage allowance seems to be only for bachelors and there is a monetary ceiling.

It is not clear from the relevant circular whether the term bachelor includes spinsters too.

But a plain reading gives the impression that it may be gender discriminatory. Perhaps that will be addressed soon with a clarification.

But coming back to the allowance itself, if you are an SBI employee and a bachelor, you will qualify for the allowance as also leave for seven days. The bank has, in its e-circular, stated that this decision to provide marriage allowance follows representations made by both All-India State Bank Officers' Federation and State Bank of India Staff Association.

But old timers of the bank whom *BusinessLine* spoke to couldn't resist taking a dig at such an allowance.

The allowance

According to the circular, all award staff (not officers) will be eligible for a maximum of ₹3,000, while those in the Junior Management Grade (Scale I), Middle Management Grade (Scale II and III) and Senior Management Grade (Scale IV and V) can get up to ₹5,000. Those in the Top Executive Grade (Scale VI and VII) and TEG (Scale I and II) are eligible for ₹7,500 and ₹10,000, respectively.

Lest some employees get ideas to misuse the allowance by marrying many times, the circular, with abundant caution, reiterates that the allowance and leave would be available for first-time marriage only and once during the entire career.

7. Centre looking to double time limit for declaring overdue MSME loans as NPA

OUR BUREAU

The government is considering doubling the 90-day limit to 180 days for banks to declare overdue MSME loans as non-performing assets (NPAs) or bad loans.

"The Ministry has already taken up the issue and it is being considered at a much higher level," Medium, Small and Micro Enterprises (MSME) Secretary KK Jalan said after repeated pleas by various industry bodies at the meeting of the National Board of MSMEs, chaired by Minister Kalraj Mishra.

Mishra, too, confirmed the move, admitting that the delayed payments provisions needed changing and amendments in this regard may be taken to the Cabinet again.

Referring to reports that collateral-security-free loans up to ₹10 lakh to micro units were reportedly not being given to some units, Mishra urged banks "not to mix revival with recovery" of NPAs.

"This will lead to more sickness. Bank authorities should do proper assessment so that micro units do not die in the process," he added.

However, banks seem wary of the change, as they fear more pressure on their margins. "Why build pressure on banks instead of on large corporates which primarily delay payments to small and micro units? Why should banks be expected to pay for the delays," a banker told *BusinessLine*.

In the meeting, several MSME industry bodies said that three months was too short a period to declare a unit an NPA, as often payments get delayed by six months to a year or even longer.

"In Jharkhand, 600-700 micro units have been declared NPAs," said a small industry body, claiming that despite letters from the Reserve Bank of India and the Finance Ministry, banks were not helping these units.

While the Centre has set up seven Finance Facilitation Centres (and plans to set up five more), not all are functioning efficiently, admitted Jalan, adding that some of these were also being run by industry bodies such as Assocham and the Confederation of Indian Industry. On Thursday, a My MSME mobile app was also launched by Minister for Urban Development Venkaiah Naidu.

Delayed payments

"A total of 3,700 cases of delayed payments involving ₹1,650 crore have been put on the portal," said Mishra, adding that this would facilitate monitoring of delayed payments, which is probably the "single biggest problem for start-ups."

Even though the MSME Ministry has come out with a scheme for revival and rehabilitation of sick enterprises under which banks have been asked to set up various branch-wise committees, many States complained that such committees were yet to be set up or regular meetings were not taking place. The MSME sector, of which micro units comprise over 90 per cent, accounts for 45 per cent of total NPAs or bad loans in the banking system.

According to RBI data, the number of sick MSMEs rose to 4,86,291 in 2015-16, with ₹40,642 crore outstanding to banks.

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)
GENERAL SECRETARY**