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Dear Comrades,

15th August , 2017

News of Interest 14th AUG

MOTIVATIONAL QUOTES

**“TRUE INDEPENDENCE AND FREEDOM CAN ONLY EXIST IN DOING WHAT'S RIGHT. “
BRIGHAM YOUNG**

HIGHLIGHTS

- 1. Q1 RESULTS: SBI NET DOWN 20%, NPAS WORSEN**
- 2. UNITED BANK OF INDIA SLIPS INTO RED WITH RS 211 CRORE NET LOSS IN Q1**
- 3. BANKS WARY OF MODI GOVERNMENT'S MERGER PLAN FOR FEAR OF LOSS OF BRAND NAME**
- 4. LVB TO FOCUS ON SME, RETAIL SEGMENTS**
- 5. CANARA BANK ROLLS OUT TWO DIGITAL PRODUCTS**
- 6. SBI CUTS STAFF STRENGTH, LOOKS TO REDEPLOY 10K**

Business Standard

1. Q1 results: SBI net down 20%, NPAs worsen

Farm debt waiver hits retail loan asset quality; loan demand expected to pick up later this year

Abhijit Lele

State Bank of India's stand-alone net profit for the April-June quarter (Q1) of 2017-18, and the first after the merger of associate banks, dipped by 20.3 per cent to Rs 2,005 crore from Rs 2,520 crore in April-June 2016.

However, the bank clarified that the results for Q1 FY18 included operations of the erstwhile banking subsidiaries and Bharatiya Mahila Bank (BMB), and the results are not comparable with June 2016 quarter numbers.

The bank said that the net profit would go up by 436 per cent from Rs 374 crore to Rs 2,006 crore if the June 2016 numbers were to include the erstwhile subsidiary banks and BMB.

Asset quality of the retail loan book came under pressure in April-June, as advances worth Rs 17,886 crore in this segment slipped into the category of non-performing assets (NPAs). People held back repayment in anticipation of farm loan waiver, constraining follow-up for recoveries during transition for the merged entity and the end of forbearance on loans after demonetisation, chairman Arundhati Bhattacharya said in a conference call with the media.

Reflecting market apprehension about retail loan quality, the stock closed at Rs 280, down 5.3 per cent over Thursday's close on the BSE; it was the biggest loser among Sensex stocks. Net interest income, the difference between interest earned and expenses, decreased by 3.5 per cent over a year before, to Rs 17,606 crore.

The net interest margin (NIM) dipped from 2.84 per cent a year before to 2.36 per cent. This reflects the effect of reduction in the Base Rate/Marginal Cost of Funds-based Lending Rate during the period. The SBI chief said NIM would improve by 10-15 basis points, on improved recoveries and upgrades. Also, pick-up in loan growth will give higher yield vis-à-vis investments.

Non-interest income was down by 8.6 per cent from Q1 of FY17, to Rs 8,006 crore in Q1FY18. But, the fee income, part of other income, increased from Rs 4,190 crore to Rs 4,870 crore, year-on-year growth of 16.2 per cent. Total provisioning declined by 26.3 per cent to Rs 9,869 crore, from Rs 13,388 crore in April-June 2016, helping to post a tidy rise in net profit. Gross NPAs rose to Rs 188,066 crore (9.97 per cent) in end-June from Rs 137,662 crore (7.4 per cent) in June 2016 for the merged entity.

The provisions for bad loans rose by 11.3 per cent year-on-year to Rs 12,215 crore. The provision coverage ratio was 60.8 per cent in end-June, from 59.9 per cent a year before, SBI said. SBI's total of dues from the 12 big bad loan accounts referred for the insolvency and resolution process by Reserve Bank of India (RBI) order for all banks is Rs 50,247 crore. The total provision held is Rs 19,943 crore. The incremental provision required on these accounts is Rs 8,571 crore in FY18, based on RBI guidelines.

These being old NPAs, the ageing related provision on these accounts would have been Rs 5,034 crore in FY18. The uncertainty is only for an additional Rs 3,500 crore. The exact provision we will have to make depends on resolution of the accounts, and the bank will be in a position to absorb this liability, Bhattacharya said.

Gross advances grew 1.5 per cent to Rs 18,86,666 crore at end-June. SBI expects loan demand to pick up in the third and fourth quarters; its expectation is six to eight per cent growth in FY18.

Deposits rose by 13.3 per cent to Rs 26, 02,534 crore. The share of low cost current account and savings bank deposits was Rs 11,13,455 crore. The chairman said they were not contemplating a cut in deposit or lending rates at this point. The capital adequacy ratio was 13.31 per cent, with tier-I capital at 10.67 per cent at end-June.

Financial Express

2. United Bank of India slips into red with Rs 211 crore net loss in Q1

State-owned United Bank of India (UBI) today reported a net loss of Rs 211.46 crore during the first quarter ended June, on rise in Non-Performing Assets (NPAs) and higher provisioning

By: PTI

State-owned United Bank of India (UBI) today reported a net loss of Rs 211.46 crore during the first quarter ended June, on rise in Non-Performing Assets (NPAs) and higher provisioning. The bank had registered a net profit of Rs 38.32 crore in the April-June quarter of previous fiscal. Total income of the bank during the reported quarter was marginally up at Rs 2,852.61 crore as against Rs 2,819.37 crore year ago, the bank said in a regulatory filing. Bank's bad loan proportion rose substantially as gross NPAs rose to 17.17 per cent of the gross advances by end June 2017 from 14.29 per cent as on June 30, 2016.

Value wise, it stood at Rs 12,164.90 crore against Rs 10,116.13 crore during the two periods compared. Net NPA proportion hit 11.10 per cent of net advances by end of first quarter of this fiscal (Rs 7,269.66 crore) as against 9.85 per cent of net loans by June 2016 (Rs 6,579.28 crore). The provisions to cover bad loans and contingencies increased to Rs 758.35 crore for the first quarter of 2017-18, from Rs 275.26 crore a year ago. The Kolkata-headquartered lender said its total deposits increased by 7.26 per cent to Rs 1,25,305 crore from Rs 1,16,820 crore in the year-ago period.

Economic Times

3. Banks wary of Modi government's merger plan for fear of loss of brand name

By Dheeraj Tiwari , ET Bureau

The government is looking at consolidation of at least two state-run banks in this financial year, but some of the lenders identified for merger or takeover by bigger entities have expressed serious reservations on their identities being subsumed in the process.

The target banks are keen that their names survive the consolidation and they continue to have a strong role in business operations, officials said. Earlier this year, four state-run banks – Syndicate Bank, Canara Bank, Vijaya Bank and Dena Bank – made presentations to the finance ministry on their consolidation plans.

"We have worked out some combinations. This involves a larger bank taking over two smaller entities.

Also, there is a case for merging two smaller but strong banks. We can look at some hybrid names which retain characters of the both banks," said a government official, who did not wish to be identified.

The official cited the case of the merger between Centurion Bank and Bank of Punjab that led to the creation of a new entity, Centurion Bank of Punjab, which later merged with HDFC Bank in 2008.

Senior executives of the banks being considered for consolidation have told the finance ministry that the brand names of the lenders have deep-rooted association with their borrowers and the loss of brand names could potentially affect business. Vijaya Bank, for instance, was set up in 1931. Syndicate Bank, set up in 1925, was earlier known as Canara Industrial and Banking Syndicate Ltd.

Experts, however, said the merger exercise should not be delayed only because of brand issues.

“These are state-run lenders. The borrowers are aware of this and there is no possibility of losing business just because a lender reinvented its brand name,” said MP Shorawala, a former independent director with Central Bank of India. “We already have a successful example in case of Axis Bank.”

In 2007, UTI Bank rechristened itself as Axis Bank. “The idea was to get a grasp on the issues which could come up during the merger exercise,” the official cited earlier said, adding that some of the factors taken into consideration for merger are the business mix, the information technology platform that the banks are operating on and the geographical spread.

In April, State Bank of India absorbed five of its associate lenders and Bharatiya Mahila Bank, creating a larger bank that accounts for a quarter of all outstanding loans. There are 21 state-run banks in India.

In June, after reviewing the quarterly performance of public sector banks, finance minister Arun Jaitley said the government was “actively working” towards consolidation but did not share any details, stating this was price-sensitive information.

The government is also undertaking a simultaneous exercise to assess the capital requirements of state-run bank. “We are waiting for the first quarter results.

Once that happens, we will allocate further capital based on their requirements,” Jaitley had said at the time.

While the government has already allocated Rs 8,000 crore — the spill over from the previous fiscal, this year, it plans to provide another Rs 10,000 crore by way of capital infusion.

Business Line

4. LVB to focus on SME, retail segments

G BALACHANDAR

Lakshmi Vilas Bank (LVB) plans to focus on three areas to drive revenues and grow its assets. It is also looking to raise ₹500-750 crore capital this fiscal.

The bank aims to grow its SME and retail portfolios, where stronger focus will be lent to gold loans, home loans and SME credit, among others. It is also looking at transforming its SME lending model. There is also a conscious de-focussing on the wholesale corporate segment. “At present, the corporate portfolio accounts for 51 per cent. We will be happy if it comes down to 47-48 per cent by the end of this fiscal,” Parthrasathi Mukherjee, Managing Director & CEO, told *Business Line* during the launch of its first commercial banking branch in Chennai.

The bank will aggressively push current account, savings account (CASA) deposits. It ended 2016-17 with a CASA ratio of 17.5 per cent, and hopes to improve this to 25 per cent by 2020. Towards this, several initiatives, including rolling out digital products, have been taken.

LVB sees opportunities to grow its fee income too. “We are looking to grow transaction banking in a big way and will focus on cash management, remittances, non-fund businesses, and sale of third-party products. All of these will help grow our revenues,” said Mukherjee.

Though it is adequately capitalised, the bank may look at raising ₹500-750 crore this fiscal. Despite the rise in digital transactions, LVB will continue to open new branches and hire people. "We will add about 50 branches a year," he said.

5. Canara Bank rolls out two digital products

OUR BUREAU

Canara Bank has launched two digital products: 'Bharat QR', a platform for payment settlement at merchant locations, and Bharat Bill Payment System, an integrated bill payment system for Net banking customers.

Launching the products, Rakesh Sharma, Managing Director and CEO, said the "bank is always poised for a digital revolution and has begun to offer scores of digital payment products/platforms to enhance customer convenience by reducing cash transactions."

"The Finance Ministry's Department of Financial Services, has been propagating that banks need to achieve 25 billion digital transactions by March 31, 2018, and has also allocated targets to all the banks," he added.

6. SBI cuts staff strength, looks to redeploy 10k

State Bank of India (SBI) has reduced its staff headcount by 6,622 in the first quarter of FY18 to 2.73 lakh from 2.80 lakh at the beginning of the quarter due to retirements and a voluntary retirement scheme. The bank now plans to redeploy over 10,000 employees following the merger of its associate banks and due to digitisation.

Consolidation of associate banks and a shift to digital channels for banking have set in motion a job restructuring process in one of the largest employers in the country. "While the physics of the merger is over, the chemistry is yet to be completed," said Arundhati Bhattacharya, chairman, SBI, referring to the integration process after the merger of balance sheet which came into effect from the first quarter.

A large part of the job restructuring is taking place on account of merger as the bank juggles its branch network to avoid having several outlets on the same street. SBI has merged 594 branches till August 6 and has rationalised 122 administrative offices. This in itself is expected to result in savings of over Rs 1,160 crore annually. The bank has entrusted a new entity—SBI Infra Management—the responsibility of managing its real estate assets.

SBI is also finding the need to rationalise due to digitisation within and outside the bank. For instance, the bank is redeploying staff in government service branches as the Centre is shifting most of its banking operations to portals. Private lenders like HDFC Bank have been reducing their headcount at a much higher pace even as they push digital transaction. HDFC Bank's staff strength has come down from 90,421 in December 2016 to 84,325 in March 2017.

In the first quarter of the current fiscal, the bank saw 7,247 employees exiting following retirements, including 3,569 employees of the erstwhile associate banks who were offered a voluntary retirement scheme. The bank had paid out Rs 473 crore ex gratia under this scheme which will result in salary savings of Rs 400 crore per annum. Of the staff redeployment planned by SBI, 2,000 will be because of shifting of administrative offices and another 8,618 due to branch rationalisation. Around 30% of the staff of rationalised branches will be redeployed in sales functions. The bank has introduced a new employee appraisal system where performers will receive financial incentives.

The total employee of SBI and associates as on March 31 was around 2.80 lakh. The number has been stagnant for a couple of years as there has been a hump in retirements of large number of employees hired during the '80s. As against the exits, the bank has hired only 625 staff members in the first quarter, taking the total headcount down to 2,73,181. The number could further drop as full year retirements in FY18 are expected to be around 15,460. The bank is recruiting specialists for digital space and marketing though not in large numbers.

The share of alternative (non-branch) channels in transactions has increased substantially from 76% a year ago to 80% on June 2017. The share of internet banking has increased from 24% to 30% of all transactions. Interestingly, ATM transactions are only 34% of transactions as against 43% a year ago.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY