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Dear Comrades,

18th August , 2017

News of Interest 18th AUG

MOTIVATIONAL QUOTES

“LIVE AS IF YOU WERE TO DIE TOMORROW. LEARN AS IF YOU WERE TO LIVE FOREVER.”
MAHATMA GANDHI

HIGHLIGHTS

- 1. AXIS BANK TO WAIVE 12 EMIS ON HOME LOANS UNDER NEW SCHEME**
- 2. HDFC BANK, PNB CUT SAVINGS RATE BY 50 BASIS POINTS**
- 3. BANKS WITNESS CONTRACTION IN Q1 NET INTEREST MARGINS ON SHIFT TO MCLR, LOWER NET INTEREST INCOME**
- 4. THIRD-PARTY ATM USE UP AS BANKS INSTALL FEW MACHINES**
- 5. 18 PSBS AMONG TOP 20 BANKS WITH HIGHEST GROSS NPA RATIOS: CARE RATINGS**

Business Standard

1. Axis Bank to waive 12 EMIs on home loans under new scheme

The lender has introduced Shubh Aarambh Home Loans, in which 12 EMIs are waived
Abhijit Lele

With competition getting hotter in the affordable housing finance sector, private lender Axis Bank will waive 12 equated monthly instalments (EMIs) on regular repayments of loans of up to Rs 30 lakh under the new scheme Shubh Aarambh Home Loans.

The lender has introduced Shubh Aarambh Home Loans, in which 12 EMIs are waived — four EMIs each after the fourth, eighth and 12th year — from the date of the first disbursement. The waiver will be in the form of reduction in tenure.

The loans can be used to purchase an under-construction/ready/resale house, self-construction, and a plot plus construction.

Customers also have the option to transfer existing home loans to Axis Bank without additional cost, according to Rajiv Anand, executive director, retail banking.

Earlier, the bank had floated Asha home loan for low-income groups. Thirty-five thousand families have availed of the scheme.

The share of home loans in Axis Bank's retail book has come down from 54 per cent in FY13 to 44 per cent at the end of Q1FY18. During the same period, the share of personal loans, credit cards, auto loans and small business banking have continued to inch up.

Icra, in a note on mortgage finance for FY17, had said owing to the increase in supply and better affordability on the part of borrowers, the traditional lenders were increasing their focus on this segment.

Affordable housing is likely to continue to grow at a faster pace than industry. Credit growth for affordable housing over the medium- to long-term is likely to be high at around 30 per cent, which could increase mortgage penetration levels to 13-15 per cent by March 2022, according to the Icra report.

'Infrastructure' status for affordable housing projects, given in the Union Budget, will improve access to funding from avenues like insurance and pension funds and boost supply.

2. HDFC Bank, PNB cut savings rate by 50 basis points

Axis, BoB and HDFC Bank all followed SBI's 50 bps cut to 3.5% from the existing 4%

Nikhil Hetavkar

HDFC Bank cut its interest rate by 50 basis points (half a per cent) to 3.5 per cent on savings bank deposits for balances up to Rs 50 lakh.

This makes it the seventh to do so after State Bank of India (SBI) acted last month. Axis Bank, Bank of Baroda (BoB), Indian Bank, Karnataka Bank, Kotak Mahindra Bank and most recently YES Bank had preceded it.

Axis, BoB and HDFC Bank all followed SBI's 50 bps cut to 3.5 per cent from the existing four per cent, for varying deposit amounts.

HDFC Bank said its revision would be with effect from this Saturday. Customers maintaining a savings bank account balance of Rs 50 lakh and above will continue to earn interest at four per cent yearly. The revised rates will apply to both resident and non-resident customers.

Banks have been cutting interest on term deposits for a little over two years. Demonetisation brought huge amounts into savings bank accounts as a one-time benefit. After that, banks substantially cut lending rates in the March quarter. However, tepid demand for loans and high credit costs put the pressure on margins. Bank managements then began to think of next steps to protect these. And, a long spell of lower inflation offered a chance to look for reductions in the savings rate.

The question was who would take a lead. SBI's top executives had been debating on the issue for over a quarter before taking a plunge at end-July.

The reduction in savings deposit rates is a result of increasing pressure on the interest margin of banks, especially public sector ones. The decreasing interest income, as well as provisions for bad loans, added to the concerns.

"The revision in savings bank rate would enable the bank to maintain the existing MCLR (marginal cost-based lending rate)," SBI had said. It added this would benefit a large segment of small borrowers — in small firms, agriculture and affordable housing.

A private bank executive says a savings account is an operative one to make payments for expenses. The quality of service and nature of the relationship with customers mattered more than the interest rates.

Financial Express

3. Banks witness contraction in Q1 net interest margins on shift to MCLR, lower net interest income

Lenders witnessed contraction in net interest margins in the June quarter of FY18 owing to factors including the shift to the marginal cost of funds-based lending rate and lower net interest income, data compiled by FE showed

By: [FE Bureau](#)

Lenders witnessed contraction in net interest margins (NIM) in the June quarter of FY18 owing to factors including the shift to the marginal cost of funds-based lending rate (MCLR) and lower net interest income (NII), data compiled by FE showed. According to the data, Kolkata-based United Bank of India saw one of the highest contractions in Q1 margins. Its NIM reduced 101 basis points (bps) on a year-on-year (y-o-y) basis to 0.85%. Margins of larger banks such as Punjab National Bank (PNB) and State Bank of India (SBI) also shrank in the quarter. While, PNB's margin (domestic) fell 24 bps y-o-y to 2.56%, SBI's margin dropped 48 bps to 2.36%.

Arundhati Bhattacharya, chairman of SBI, told reporters at its Q1 results conference that the bank's NIM fell mainly on account of the reduction in its base rate and the MCLR. "Moreover, since we have factored in the entire slippages, we believe that going forward the NIM will definitely show some kind of an improvement," she said. SBI has guided for a 10-15-bps pick-up in NIM owing to an expected increase in the loan growth coupled with a decline in cost of deposits.

Analysts pointed out that NIM compression, which was expected to be gradual, slipped sharply in the June quarter. Kotak Institutional Equities said in a recent report that shift to the MCLR from the high-spread base rate regime, high impairments leading to lower NII recognition and high levels of liquidity were hurting public and private banks. "The recent compression appears to be driven by shift from high spread base rate to MCLR as well as slippages. Improving pricing is a bit of a challenge as liquidity is high and with availability to raise funds from alternate channels and shift in loan mix towards retail," the report said.

Union Bank of India's margins dipped 22 bps y-o-y to 2.06% in Q1FY18. Rajkiran Rai G, MD & CEO, said its cost of deposits was not decreasing as sharply as its yields on advances owing to the quicker transmission through the marginal cost of funds-based lending rate.

However, Canara Bank stood out among its peers and reported an improvement in margins. Rakesh Sharma, MD & CEO, told analysts after its June quarter results that the improvement mainly came from a 62 bps reduction in cost of deposits from 6.45% last year to 5.83%. "So, as a result, net interest margin is also showing good growth from – in fact the domestic net interest margin is 2.56% and the global is 2.34%."

Among private banks, while ICICI Bank reported a 17 bps increase in its margins (domestic) to 3.62%, Axis Bank's margins fell 16 bps to 3.63%. Rakesh Jha, chief financial officer, ICICI Bank, told analysts after its first quarter results that there would be some reduction in the margin in the current fiscal, mainly driven by a fair bit of reprising of loans. "Plus, of course, if you look at the year as a whole FY 2017 and compare that with Q1, the margins are kind of at a similar level," he said.

4. Third-party ATM use up as banks install few machines

By *Pratik Bhakta*, ET Bureau

If you are not being able to find a working ATM of your own bank in the vicinity forcing you to use another bank's ATM even a good eight months after demonetisation, you are not alone.

Customers are now being forced to use other banks' ATMs more often than before because banks have slammed brakes on deployment of new ATMs, or automated teller machines, while there has been an increase in issuance of debit cards.

According to data from the Reserve Bank of India and the National Payments Corporation (NPCI), which manages the ATM switch through which all interbank ATM transactions travel, the trend has been picking up over the past six months. Due to this, bankers say, acquiring banks are paying more interchange fees now.

Before demonetisation, an average 40% of customers used other banks' ATMs for cash withdrawal. Now, the number has shot up to almost 55%. Another reason for this rise could be that less number of ATMs are functional now as compared with the pre-demonetisation days, forcing customers to be less choosy about ATMs.

An analysis of the figures shared by RBI and NPCI shows that the mix of 'off us' (when a bank's customer uses another bank's ATM) and 'on us' (when the customer uses the same bank's ATM) transactions has reversed after demonetisation. "Post demonetisation there has been a sudden spurt in off-us transactions on ATMs. Previously 60% of the customers would use their own banks' ATMs, now the share has changed," said Loney Antony, managing director of Hitachi Payments. "Currently we are hovering close to 50-50."

Numbers from RBI and NPCI substantiate the claims. Total debit card transactions in June this year were recorded at 660 million.

Business Line

5. 18 PSBs among top 20 banks with highest gross NPA ratios: CARE Ratings

OUR BUREAU

Public sector banks are more stressed than their private sector counterparts with the former figuring among the top 20 banks with the highest gross non-performing asset (GNPA) ratios, according to CARE Ratings' analysis of the first quarter results of 38 banks.

IDBI Bank (with gross NPA ratio of 24.11 per cent of gross advances) and Indian Overseas Bank (23.6 per cent) have NPA ratios of over 20 per cent. Among PSBs, Indian Bank has the lowest GNPA ratio of 7.21 per cent, the credit rating agency said.

Eight PSBs banks — IDBI Bank, Indian Overseas Bank, UCO Bank, Bank of Maharashtra, Central Bank of India, Dena Bank, United Bank of India, and Corporation Bank — had a GNPA ratio of over 15 per cent as of June 2017.

YES Bank is the only bank in the sample of 38 banks with a GNPA ratio of less than 1.

State Bank of India (SBI) accounted for the largest share of about 22.7 per cent (or ₹1,88,068 crore) in the total NPAs of 38 banks (aggregating ₹8,29,338 crore) as of June-end 2017.

SBI, Punjab National Bank, Bank of India, IDBI Bank, and Bank of Baroda accounted for 47.4 per cent (totalling ₹3,93,154 crore) in the total NPAs as of June-end 2017.

Among the top 20 banks, according to GNPA in absolute terms, 18 are PSBs and only two are private sector banks — ICICI Bank and Axis Bank. These two private sector banks have a combined share of 7.9 per cent in total NPAs.

CARE Ratings said in the April-June quarter (Q1) of FY18, NPAs of a sample of 38 banks increased by a sharp 34.2 per cent on a year-on-year basis. Also, the NPA ratio increased to 10.21 per cent in June 2017 from 8.42 per cent in June 2016, which is the highest in the last six quarters.

On a quarter-on-quarter basis, the increase in NPAs has been the highest in Q1 FY18 witnessing an increase of about 16.6 per cent to reach ₹8,29,338 crore as of June 2017.

The agency said the performance of banks with respect to NPAs has not been too positive of late. "While it was largely expected that the NPA ratios would have settled by March 2017, as there were indications of stabilisation relative to December 2017, the picture emerging for Q1 FY18 is that the NPAs have deteriorated further for the system as whole," it added.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY