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Dear Comrades,

16th June , 2017

News of Interest 16th JUNE

### MOTIVATIONAL QUOTES

“THE FUTURE HAS A WAY OF ARRIVING UNANNOUNCED. “ GEORGE WILL

### HIGHLIGHTS

1. CANARA BANK TO RAISE RS 3,500 CR IN EQUITY
2. AXIS BANK BOARD OKAYS RS 5K CRORE CAPITAL RAISE ON PRIVATE PLACEMENT
3. PSB MERGER: 7 BANKS MISS AUGUST DEADLINE TO MEET 25% PUBLIC FLOAT NORM
4. TAMILNAD MERCANTILE BANK NET PROFIT SLIPS 21%
5. REDUCTION OF RISK WEIGHTS ON HOME LOANS CREDIT NEGATIVE FOR BANKS: MOODY'S

Business Standard

#### 1. Canara Bank to raise Rs 3,500 cr in equity

The bank had raised Rs 1,124 crore in March through a rights issues of equity shares  
Abhijit Lele

Government-owned Canara Bank plans to raise up to Rs 6,300 crore, including equity up to Rs 3,500 crore, for business and regulatory requirements.

Its board of directors has approved. The equity capital could be raised via qualified institutional placement or a rights offer, the Bengaluru-based bank informed the BSE. Permission for this will be taken from shareholders at the next annual general meeting.

In March, it had raised Rs 1,124 crore through rights issues of equity shares, at Rs 207 each (the stock closed on Thursday at Rs 352).

The Government of India's stake in the bank was 66.3 per cent at the end of March. Life Insurance Corporation, also owned by the central government, held 13.62 per

cent.

The board of directors also okayed the raising of debt capital through additional tier-I bonds up to Rs 1,800 crore and tier-II bonds up to Rs 1,000 crore.

The capital adequacy ratio had improved to 12.86 per cent at end-March, from 11.08 per cent a year before.

For 2016-17, the bank posted a profit of Rs 1,122 crore, against a loss of Rs 2,813 crore in FY16.

## **2. Axis Bank board okayes Rs 5k crore capital raise on private placement**

Shares of Axis Bank closed flat at Rs 508.05 on BSE

Press Trust of India

Private sector Axis Bank will raise Rs 5,000 crore by issuing bonds on a private placement basis.

"The board of directors of the bank today approved the allotment of 50,000 unsecured, redeemable non-convertible subordinated debentures, Basel III compliant tier II debentures aggregating to Rs 5,000 crore on a private placement basis," Axis Bank said in a regulatory filing.

According to Basel III Capital Regulations, banks have to improve and strengthen their capital planning processes so as to be ready to mitigate any concerns that may arise if there are potential stresses on asset quality and consequential impact on performance and profitability of banks.

Banks in India have been implementing Basel III norms in phases since April 1, 2013 and are set to be fully compliant by March 2019, little behind globally accepted deadline of January 1, 2019.

Axis Bank said it will list the debentures in the wholesale debt market segment of BSE and NSE.

The bonds are rated 'Crisil AAA' by Crisil Ltd, 'Icra AAA hyb' by ICRA and 'IND AAA' by India Ratings (Ind-Ra).

Bonds with AAA rating reflect an exceptional degree of credit-worthiness on the basis that the issuer can easily meet its financial commitments.

Financial Express

## **3. PSB merger: 7 banks miss August deadline to meet 25% public float norm**

As discussions on the merger of some public-sector banks (PSBs) pick up pace, seven PSBs, especially United Bank of India, could miss the August deadline to meet the 25% public float norm

By: Banikinkar Pattanayak

As discussions on the merger of some public-sector banks (PSBs) pick up pace, seven PSBs, especially United Bank of India, could miss the August deadline to meet the 25% public float norm. So the finance ministry may request capital markets regulator Securities and Exchange Board of India to extend the deadline for the PSBs, sources told FE. As of end-March, the government held more than 75% in seven PSBs — United Bank of India, Indian Bank, Bank of Maharashtra, Central Bank of India, Punjab and Sind Bank, Indian Overseas Bank and UCO Bank. If the merger of some of these banks is effected, as is speculated, the government's shareholdings in the larger entities may change. However, any such merger will take time to be implemented. Given the fact that some of these PSBs are already reeling under toxic

assets and also need capital infusion this fiscal, the possibility of the government's shareholding in them being trimmed to the desired level by August looks bleak.

"We have to see how much the government owns in the larger banking entities after consolidation. So, while efforts will be made to comply with the Sebi norms, at least in some cases the chances of a delay can't be ruled out. This is because consolidation can be a time-consuming process. In such a case, Sebi may be requested to give some relaxation to these PSBs," said a senior government official.

According to norms, the government's stake in public-sector units should not be more than 75% by August 2017.

While discussions are on about the possibilities of merger of some of the PSBs, speculation is rife about United Bank of India and UCO Bank being merged with bigger entities. If implemented, the merger could alter the government's shareholding pattern in future in some of the PSBs. The government held as much as 85.23% in United Bank and 76.67% in UCO Bank as of end-March. The government has also announced a Rs 10,000-crore capital infusion in some of these PSBs in 2017-18, following which the government's shareholding in these banks could rise further. Even shareholdings in some of the other banks, which are already close to 75% (in Bank of India, for instance, the government's shareholding is as high as 73.72%) could breach the ceiling after receiving capital infusion again in the current fiscal.

Apart from a public offer, the government has been contemplating other options, including selling stakes to institutions like Life Insurance Corporation, to bring down its shareholding.

In 2014, the government had notified rules for a minimum 25% public shareholding in listed state-run companies. It was aimed at promoting a wider investor base in listed state-run companies and boosting the government's plan to raise funds from disinvestment. Prior to this move, listed PSUs were mandated to have at least a 10% public holding, whereas listed non-PSUs were asked in June 2010 to have at least a 25% public shareholding within three years.

Business Line

#### **4. Tamilnad Mercantile Bank net profit slips 21%**

OUR BUREAU

The net profit of Thoothukudi-headquartered Tamilnad Mercantile Bank slipped 21 per cent to Rs. 317 crore in 2016-17 fiscal against Rs. 402 crore clocked during the corresponding 12 months of the earlier fiscal.

Sharing the audited results, TMB Chairman S Annamalai has in a release pointed that the operating profit of the bank rose 20 per cent to Rs. 875 crore in FY16-17 (Rs 725 crore), while the net profit slipped 21 per cent.

The bank's gross and net NPA rose to 2.91 per cent (1.86 per cent) and 1.74 per cent (0.89 per cent), respectively, advances dropped by 2.68 per cent to Rs. 21,972 crore (Rs 22,578 crore) and deposits grew 6 per cent to Rs. 32,190 crore (Rs 30,369 crore).

CASA swelled by 27 per cent to Rs. 7,478 crore (Rs 5,891 crore). The bank would focus on accelerated growth of CASA, retail, agriculture and MSME segments during the current fiscal.

#### **5. Reduction of risk weights on home loans credit negative for banks: Moody's**

PTI

The Reserve Bank's recent move to reduce risk weights and standard asset provisioning on individual housing loans are credit negative for the banking sector, says a report.

In the second bi-monthly monetary policy review announced on June 7, RBI had reduced the LTV (loan to value) ratios, risk weights and standard asset provisioning rate for individual housing loans on certain categories for new customers.

"The RBI's moves are credit negative for banks because lower capital requirements will weaken banks' protection from the housing sector, which has grown rapidly in recent years, and will encourage greater lending," global rating agency Moody's said in a report here today.

It said this growth was occurring as non-bank finance companies increasingly target the home-loan segment, posing greater downside risk if there is a correction in property prices.

RBI lowered the risk weight for housing loans above Rs 75 lakh to 50 per cent from the earlier 75 per cent, while for loans between Rs 30 lakh and Rs 75 lakh, the risk weights were cut to 35 per cent from 50 per cent.

The standard asset provisions, or the amount of money to be set aside for every loan given, on home loan was lowered to 0.25 per cent from the earlier 0.40 per cent.

The RBI also removed the previous distinction of risk weights based on loan-to-value ratios for loans in the same category.

Over the next 12-18 months, the rating agency expects the overall system bank credit growth to remain muted, given banks' weak balance sheets amid continued asset quality deterioration.

As of March 2017, annual bank credit growth was 7.6 per cent, down from 10.2 per cent in the previous year.

"Although lower risk weights would boost sluggish credit growth while limiting the effect on banks' capital position, we believe competition for housing loans has significantly increased among banks and non-bank finance companies," the report said.

Since 2015, housing loan growth has been roughly double that of overall bank credit.

In 2015, overall bank credit growth was 7.8 per cent, while housing credit was at 16.7 per cent. In the year ended March 2017, bank credit grew at 7.6 per cent, whereas the home loan segment witnessed 15.2 per cent growth.

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)**  
**GENERAL SECRETARY**