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Dear Comrades,

15th May , 2017

News of Interest 15th MAY

MOTIVATIONAL QUOTES

“I CAN'T CHANGE THE DIRECTION OF THE WIND, BUT I CAN ADJUST MY SAILS TO ALWAYS REACH MY DESTINATION. “JIMMY DEAN

HIGHLIGHTS

- 1. IDBI BANK MULLS INSOLVENCY PROCEEDINGS AGAINST DEFAULTER**
- 2. UP MEGA LOAN WAIVER TO BOOST MICROFINANCE SPACE**
- 3. KARNATAKA BANK Q4 NET PROFIT UP 30% AT RS 138 CR**
- 4. BANKS SET TO SEE HIGHER PROVISIONING ON NEW NORMS NEXT FISCAL**
- 5. 70 PER CENT OF ATMS IN INDIA EASY PREY FOR CYBER ATTACKERS**
- 6. ORIENTAL BANK POSTS RS 1,218 CR NET LOSS AS NPA PROVISIONING SOARS**

Business Standard

1. IDBI Bank mulls insolvency proceedings against defaulter

PSB IDBI Bank's total NPLs are worth Rs 20,949 crore

Veena Mani

IDBI Bank is said to be planning to approach National Company Law Tribunal (NCLT) to recover bad loans worth Rs 100 crore from a company. Under Insolvency and Bankruptcy Code, a bank can file a case in NCLT to recover debt.

An official in the know said, “The IDBI Bank is planning to file for insolvency proceedings against a company to recover Rs 100 crore.” When contacted, IDBI declined to comment, citing silence period before announcement of results.

Till March-end, of 30 cases admitted in NCLT, seven were by banks. However, none was from a public sector bank (PSB).

PSB IDBI Bank's total NPLs are worth Rs 20,949 crore. Under the RBI's Prompt Corrective Action regime to fix NPLs, IDBI Bank would also have to raise capital level and restrict dividend payout.

However, this is not the first time a PSB is planning to take the defaulter to NCLT. Punjab National Bank had planned to take 250 defaulters to NCLT.

Insolvency professionals say this is just the beginning. Now many more banks will resort to filing for insolvency proceedings against defaulters to recover dues.

2. UP mega loan waiver to boost microfinance space

Borrowers' clean credit history to spur lending

Virendra Singh Rawat

The crop loan waiver announced by the Yogi Adityanath government in Uttar Pradesh is likely to stoke the microfinance sector as well and result in higher lending.

The Yogi cabinet had on April 4 announced to waive crop loan of Rs 30,729 crore, while an additional Rs 5,630 crore was announced to be written off in non-performing assets (NPA) accumulated by commercial and cooperative banks in the agricultural sector.

The total waiver had amounted to Rs 36,359 crore and it was projected to benefit roughly 8.6 million farmers, while another 7,00,000 farmers benefited from the NPA write-off, making them available to seek fresh loans from lending institutions.

"Since the write-offs would also clean up the credit history of such a large segment of borrowers, it would definitely translate into growth in the lending by the microfinance institutions, both directly and indirectly," leading state microfinance player Sonata Finance Private Limited managing director Anup Kumar Singh told *Business Standard* here.

He projected the state microfinance space to grow by 40% in the current fiscal and touch almost Rs 12,000 crore in 2017-18.

Last year, UP microfinance advances were to the tune of Rs 8,000 crore, although lending had taken a hit following demonetisation, which was announced on November 8 and caused severe cash crunch in the domestic economy as it had squeezed the high value currency notes from the market. The current microfinance outstanding in UP is projected at Rs 6,000 crore.

Sonata had clocked lending of over Rs 1,000 last year, Singh informed adding the microfinance space would now reap the positive aftereffects of demonetisation.

Sonata was one of the four UP-based financial institutions shortlisted by the Reserve Bank of India (RBI) in 2015 to set up small finance bank. In all, RBI had on February 6 released a list of 72 companies, which had earlier applied for small finance bank license to enable them serve the unbanked and remote areas.

However, Sonata failed to make it to the final list and only one microfinance institution from UP viz. Varanasi-based Utkarsh Micro Finance was given the license to set up bank.

Currently, Sonata has about 360 branches across India, of which more than half operate in UP. There are over a dozen microfinance institutions operating in UP, he informed.

Meanwhile, Sonata has collaborated with payments solutions provider Oxigen Services, Grameen Foundation India and Citi Foundation to scale up digital financial services in the state. The objective is to deliver integrated digital banking services and education to Sonata's female borrowers, Oxigen group president Rajpal Duggal said.

Oxigen, India's largest payment solutions provider, would enable Sonata with micro-ATM based services for its rural clients spread across UP. Sonata has a customer base of nearly 0.8 million. It would enable biometric and Aadhar enabled payment system (AEPS) at Sonata branches. The customers could also withdraw or deposit cash with the help of these handheld machines

3. Karnataka Bank Q4 net profit up 30% at Rs 138 cr

Total income during March quarter rose to Rs 1,606.19 crore in 2016-17

Press Trust of India

Private sector Karnataka Bank has reported a rise of about 30 per cent in net profit at Rs 138.37 crore for the last quarter ended March 31, 2017.

It had posted a net profit of Rs 106.79 crore during January-March period of 2015-16.

Total income during March quarter rose to Rs 1,606.19 crore in 2016-17, from Rs 1,447.68 crore a year ago, the bank said in a regulatory filing.

For full fiscal ended March 2017, bank's net profit increased to Rs 452.56 crore, up 9 per cent, from Rs 415.29 crore in 2015-16.

Income in the entire fiscal rose to Rs 5,994.74 crore, from Rs 5,535.07 crore.

On asset front, net non-performing assets (NPAs) were 2.64 per cent of the net advances at the end of March 2017, slightly up from 2.35 per cent year ago.

Gross NPAs or bad loans rose to 4.21 per cent as a percentage of gross advances made by the end of fiscal, from 3.44 per cent year ago.

Due to a restricted level of bank's bad assets, there was only a small rise in provisioning and contingencies allocation to Rs 160.40 crore for the quarter, against Rs 112.50 crore year ago.

Board of the bank has declared a dividend of Rs 4 per share for 2016-17, Karnataka Bank said.

Financial Express

4. Banks set to see higher provisioning on new norms next fiscal

As they battle the NPA menace, banks are set to see "huge ramifications" next fiscal with the implementation of new accounting norms that will require the lenders to make higher provisioning for loans

By: PTI

As they battle the NPA menace, banks are set to see "huge ramifications" next fiscal with the implementation of new accounting norms that will require the lenders to make higher provisioning for loans. The Indian Accounting Standard (Ind AS) 109, set to be effective from April 1, 2018, is likely to have an impact on the "banking numbers", ICAI President Nilesh Shivji Vikamsey said. The Institute of Chartered Accountants of India (ICAI) is the apex body of chartered accountants in the country. While the new accounting standard is broadly aimed at ensuring that there are no

credit shocks like those seen during the global financial crisis in 2008, it would have an effect on the "banking numbers".

Converged with the International Financial Reporting Standard (IFRS), Ind AS 109 would be applicable for all entities, including banks and non-banking finance companies. Indian Accounting Standard (Ind AS) is converged with IFRS. "It (Ind AS 109) is an accounting policy that has to be followed and that will have huge ramifications on the numbers. The provisioning will be more and P&L (Profit & Loss) will be impacted," Vikamsey told PTI in an interview.

There might be a "hit on the banking numbers, including the capital adequacy provisioning where the RBI and the government may have to come with some moratorium or so," he noted. From the current accounting system that focuses on 'incurred credit loss', entities would be moving to 'expected credit loss' proposition with Ind AS 109. The transition would also come against the backdrop of mounting NPAs (Non Performing Assets) estimated to be worth over Rs 7 lakh crore in the banking system. The government and the RBI have been working on ways to deal with the menace.

Vikamsey said the biggest challenge for the banking sector would be when banks go for Ind AS 109, with prior year numbers. The new accounting standard would be applicable world over from January 1, 2018 while it would be effective in India from April 1 that year. Ind AS 109 is converged with IFRS 9. "There the recognition norms will change. Now we have a very objective criterion... There will be a lot of subjectivity while coming to those numbers. Each bank would have different expected credit loss," he said.

The expected credit loss would depend on the risk management models that banks would be following. "There will be some subjectivity and RBI is looking at how to have some kind of homogeneity as far as applicability is concerned," the ICAI President noted.

Economic Times

5. 70 per cent of ATMs in India easy prey for cyber attackers

BY TNN

India was among the 99 countries affected by a global cyber attack that took down, among others, health services in the UK, a telecom network in Spain and government computer systems in Russia this weekend.

As many as 102 computer systems of Andhra Pradesh police were hacked on Saturday. The malware reportedly halted production at a Nissan-Renault Alliance plant on the outskirts of Chennai, but the company did not comment on the issue.

National Cyber Security Adviser in the Prime Minister's Office Gulshan Rai told TOI: "About 100 systems were attacked but as of now there are no more threats."

The international cyber attack was carried out using a malware called Wanna Decryptor or Wanna Cry. This is a "ransom ware", a digital extortion system that locks down systems by encrypting the data on it, only to decrypt and release it back for a ransom amount. What was more worrying about the global cyber attack was the fact that the outdated Windows XP version that turned out to be the weak link, crippling information systems around the world, is used by 70% of Indian ATMs.

Their complete control rests with vendors who provide banks with these systems. Microsoft stopped providing support -security patches and other tools -for Windows XP in 2014. However, on Saturday, Microsoft said it had released updates for older systems. "Given the potential impact to customers and their businesses, we have

also released updates for Windows XP, Windows 8, and Windows Server 2003," a Microsoft spokesperson said.

Michael Gillespie, who runs ID Ransom ware, a free website that helps victims of ransom ware identify malware and work around encrypted data, said he got an unusually high number of submissions from yesterday that were identified as Wanna Cryptor and came from IPs based in India. I'd say that's pretty low compared to other countries, but pretty high for submissions from India," he told TOI over email, pointing out that his stats only cover those who upload to the website and are not indicative of the total number of victims.

Ranchi-based NGO Cyber Peace Foundation (CPF), which is running a research project monitoring cyber attacks, saw nearly a 56-fold increase in breach attempts at sensors installed across eight states in the country. These sensors called "honey pots" lure cyber attackers so that they can be monitored and studied. CPF founder director Vineet Kumar said that there was a 56-fold increase in the number of attacks over honey pots installed in Gujarat, Andhra Pradesh, Maharashtra, UP, Jharkhand and Rajasthan.

Attacks and "cyber-recces" of sorts point to the scale of the problem in India. According to data accessed from CERT-In, in the past 12-14 months, nearly 11,000 networks in India have been victims of probing scanning by hackers or cyber criminals. Scanning and probing is the first step used by hackers to test the waters, and is generally followed by insertion of malware or ransom ware "Network probing is people looking for vulnerabilities in systems which will eventually be breached. Amateurs don't do it, these are professionals. Also, malware propagation and web intrusion are indicators of hired tools if not services," said cyber expert Mirza Faizan Asad.

CAAS and ransom ware on the rise

Cyber crime-as-a-service (CAAS) refers to organised crime rings offering services such as on-demand distributed denial of-service attacks and hosting to support malware attacks, among other things. Although there is no professional study conducted in India, according to a CIO Insight 2016 report there has been 33% spike in CAAS, and "exploit kits" globally.

Cybercriminals employing ransom ware or crypto-ransom ware -a sophisticated software that incorporates advanced encryption algorithms to block system files -are increasingly attacking Indian entities. January saw at least four attacks into the system of a Bengaluru IT firm, while over a dozen were attacked in the last quarter of 2016. Multiple cases have been seen in Delhi. Software security group Kaspersky Lab says India is among the top five nations affected by ransom ware attacks.

Business Line

6. Oriental Bank posts Rs 1,218 cr net loss as NPA provisioning soars

K R SRIVATS

A sharp increase in provisioning for non-performing assets (NPAs) has dragged Oriental Bank of Commerce (OBC) into the red in the fourth quarter of 2016-17 as well as for the entire fiscal 2016-17.

This is even as the operating profit of the bank showed robust growth both for the fourth quarter as well as the entire fiscal 2016-17.

Oriental Bank of Commerce on Friday reported a net loss of Rs. 1,218 crore in the fourth quarter ended March 31, 2017 compared to a net profit of Rs. 21.62 crore in same quarter last fiscal.

For the entire fiscal 2016-17, OBC reported a net loss of Rs. 1,094 crore against a net profit of Rs. 156.08 crore in the previous fiscal, according to the filings with the stock exchanges.

Operating profit for the fourth quarter increased to Rs. 1017 crore (Rs 879 crore). For the entire fiscal 2016-17, operating profit grew to Rs. 4,170 crore (Rs 3,682 crore).

Commenting on the financial performance, Animesh Chauhan, Managing Director & CEO said that the performance was weighed down by an increase in provision for non performing assets (NPA).

Chauhan also said that bank had taken steps to increase the provision coverage ratio to 53.61 per cent as of March 31,2017 from previous level of 49.4 per cent.

While provisions (other than tax) had gone up to Rs. 2,841 crore (Rs 1,026 crore) in the fourth quarter, it had increased to Rs. 5,693 crore (Rs 3,356 crore) for the entire fiscal 2016-17.

Meanwhile, Chauhan also said that the Board of Directors of the bank have approved capital raising of up to Rs. 5,000 crore. The route for the capital raising has not yet been decided, he added.

"We need to raise fresh capital to fund the expected business growth. We expect credit growth this fiscal to touch 10 per cent from a level of about 9 per cent in 2016-17", Chauhan said.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY