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Dear Comrades,

16th November , 2017

News of Interest 16th NOV

MOTIVATIONAL QUOTES

“INDIVIDUAL COMMITMENT TO A GROUP EFFORT - THAT IS WHAT MAKES A TEAM WORK, A COMPANY WORK, A SOCIETY WORK, A CIVILIZATION WORK. “
VINCE LOMBARDI

HIGHLIGHTS

- 1. UNITED BANK OF INDIA PLANS TO RAISE RS 500 CR VIA BASEL III COMPLIANT BONDS**
- 2. PUBLIC SECTOR BANKS HAVE TAKEN THIS BIG STEP OVER LOAN CRISIS; NUMBERS WILL SURPRISE YOU**
- 3. FINMIN WANTS SMALL STATE-RUN LENDERS TO 'FIND NICHE', NOT APE LARGE BANKS**
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- 5. CBI PROBE ORDERED INTO MISAPPROPRIATION OF RS 81 CRORE BY 31 INDIVIDUALS**

Business Standard

1. United Bank of India plans to raise Rs 500 cr via Basel III compliant bonds

Banks globally have to comply with the Basel III norms so as to improve and strengthen their capital planning processes

[Press Trust of India](#)

State-owned United Bank of India (UBI) plans to raise up to Rs 500 crore to comply with the global standard Basel III banking norms by March 2019.

The board of directors of the bank proposes to consider and approve by circulation on November 20, issuance and allotment of Basel III compliant listed additional tier-I debt instruments in the nature of bonds, the bank said in a regulatory filing today.

It said the bonds with face value of Rs 10 lakh each, with or without greenshoe option, is to aggregate up to Rs 500 crore.

Banks globally have to comply with the Basel III norms so as to improve and strengthen their capital planning processes.

These norms are being implemented to mitigate concerns on potential stresses on asset quality and consequential impact on performance and profitability of banks post the global sub-prime crisis of 2008 that hit the banking industry hard.

Indian banking system has been implementing Basel III standards in phases since April 1, 2013. The banks are expected to fully implement these norms by March 2019.

This will align full implementation of Basel III in India closer to the internationally agreed date of January 1, 2019.

United Bank of India shares closed 0.29 per cent down at Rs 17.25 apiece on BSE today.

2. Public sector banks have taken this big step over loan crisis; numbers will surprise you

Twenty listed state-owned banks together set aside more as provisions than what they earned as net interest income (NII) during the quarter ended September as lenders front-loaded provisions required against cases referred for resolution under the Insolvency and Bankruptcy Code (IBC)

By: FE Bureau

Twenty listed state-owned banks together set aside more as provisions than what they earned as net interest income (NII) during the quarter ended September as lenders front-loaded provisions required against cases referred for resolution under the Insolvency and Bankruptcy Code (IBC). Data from Capoline database showed that while the public-sector lenders made provisions to the tune of Rs 51,009 crore, their aggregate NII stood at Rs 50,621 crore. This marks a 43.5% year-on-year (y-o-y) jump in provisions. Growth in NII was significantly slower at under 8% y-o-y as state-owned lenders continue to be plagued by the twin maladies of low credit offtake and a high share of non-performing assets (NPAs), which do not yield interest. A clutch of 17 listed private banks also fared poorly on this front, with provisions rising 34% y-o-y to Rs 11,843 crore. NII growth at private banks was even slower than at their public-sector peers, rising only a little over 3% y-o-y to Rs 30,948 crore. Among the 37 banks, the steepest climb in provisions came at Oriental Bank of Commerce (OBC), which saw the figure jump 123% y-o-y to Rs 3,281 crore. OBC said it has set aside the entire Rs 868.41 crore required as provisions against its

exposure to nine stressed accounts admitted by the National Company Law Tribunal (NCLT).

The Reserve Bank of India (RBI) had asked the bank to provide for Rs 289.47 crore in the current quarter and the remaining amount in the subsequent two quarters, it added. State Bank of India (SBI) and Union Bank of India saw provisions surge 114% and 109% respectively, on a y-o-y basis. After SBI's results, chairman Rajnish Kumar said the idea was to enhance the bank's loss-absorption capacity and move towards international accounting standards. "We had some cushion available in the form of stake sale in SBI Life (Insurance Company) and we thought it prudent to increase our NPA coverage ratio which is (now) 65%," Kumar said, adding that he wants the bank to be able to weather any storm in the future.

Union Bank saw provisions surge for a similar reason, setting aside Rs 1,566 crore as provisions from the first list of accounts referred to the NCLT. However, this did little for the bank's provision coverage ratio (PCR). In a recent note, Credit Suisse said, "Annualised credit cost was elevated as the bank took large provisions for IBC-1 cases given low cover. Despite this, PCR is still at 49%. With nearly 5% of loans still in the non-NPA impaired bucket, credit cost would remain high in 2H (October-March)." Among private lenders, South Indian Bank saw the largest rise in provisions, which grew 102% y-o-y to Rs 454 crore. Management attributed the jump to a fall in the net asset value of investments in security receipts on the basis of NAV declared by an asset reconstruction company. Most banks recorded a rise in NII. The exceptions were UCO Bank, Dena Bank and Axis Bank, where NII declined by 22%, 11% and 2%, respectively.

Economic Times

3. FinMin wants small state-run lenders to 'find niche', not ape large banks

By *Dheeraj Tiwari*

The government has asked small state-run lenders to look at a differentiated approach in banking to leverage capital, focusing on a niche instead of copying big banks.

In the next two months as such, boards of nearly 12 such small public sector lenders are expected to share with the government their plans on finding new focus.

"Differentiated banking is the need of the hour, mostly for smaller lenders. They have to find their niche and ensure that they push credit growth in these sectors," said a finance ministry official.

The official said the ministry's larger view was that in this process to find and develop a niche, these smaller state-run banks will also create value for their shareholders and eventually moves towards consolidation.

"You cannot have 8-10 lenders aping those big banks and being happy by just being a part of consortium lending. If they're not able to develop a niche segment, they should fold into another bank," the official said.

These talks were part of the 'PSB Manthan' – the conclave of state-run banks – where PSBs were told that the Rs 2.11 lakh crore recapitalisation the

government has announced would depend on the reforms they undertake to clean up their books and increase lending to medium and small enterprises.

"Essentially, the idea is to create value for stakeholders which will also help the banks to fetch better valuations when they opt to raise money from the market," said the official. Another government official said that in the opening remarks made by managing directors of Bank of Baroda, Bank of India, Canara Bank, Punjab National Bank and Union Bank of India, some of these issues plaguing the state-run lenders were addressed.

A banker attending the conclave said the government wanted public sector banks to focus on a range of issue –from winning hearts and minds of customers to initiating faster recoveries.

Business Line

4. New app to be the 'fulcrum' of SBI's range of digital offerings

SANGEETHA CHENGAPPA

State Bank of India is set to launch a completely revamped app by the end of this month.

"The new, revamped app will be the fulcrum of our entire digital offering and will not be restricted to just enable banking. It goes beyond banking and has the offerings of all our associate companies as well," PK Gupta, Managing Director (Retail & Digital Banking), SBI, told *Business Line*. "For instance, you can get your SBI Life insurance policy on the app, check your credit card details, track your mutual funds, handle your demat account and also shop on it."

Asked whether there have been significant shifts in the way consumers use banking services, he said: "Seventy-eight per cent of transactions are happening outside our bank branches. Consumers are shifting from using ATMs and are increasingly transacting using the internet, PoS (point of sale) machines and mobiles."

Corporate credit growth

Credit growth from the corporate side has been muted, said Gupta. This year, it is expected to be 6 per cent, slightly lower than last year. Retail banking, on the other hand, is doing very well, growing at an annualised 13-14 per cent, he said. "Going forward it can become much bigger. Today, retail constitutes 55 per cent of our loan book, this can go up to 60 per cent," he added.

Asked about the bank's engagement with start-ups, Gupta said: "We are partnering with a lot of start-ups. We fund some of them, use some of their products or help them with product development. Similar to our start-up advisory cell in Bengaluru, we have started an SME advisory cell in Hubli in partnership with the Deshpande Foundation."

CSR activity

As a part of the bank's CSR activities, Gupta inaugurated the SBI-St John's Child Dialysis Centre, an exclusive centre for children, at St John's Hospital in Bengaluru today. SBI donated advanced dialysis equipment worth ₹45

lakh to the hospital, which will provide dialysis at one-third the normal cost. Farooque Shahab, Chief General Manager, SBI, Bengaluru Circle, was also present.

SBI spends 1 per cent of its annual profits (₹100-145 crore) on CSR every year, and this goes towards, health, education and cleanliness initiatives. "We have 16 local head offices, each of them spends ₹2-3 crore every year on CSR," said Gupta.

Times of India

5. CBI probe ordered into misappropriation of Rs 81 crore by 31 individuals

L Saravanan | TNN

Ordering a CBI probe into the swindling of about Rs 81.67 crore by some individuals and private companies, the Madurai bench of the Madras high court on Wednesday directed the investigating agency to file a status report on December 5 after hearing arguments from the petitioner, state police and the CBI.

Justice S S Sundar ordered the probe on a batch of two petitions filed by vice-president of Lakshmi Vilas Bank (Madurai), M Rangarajan stating 31 people who had availed loan from the bank had defaulted on the payment and police had not initiated any action on his complaints.

Earlier, the court expressed unhappiness at the CBI, after special public prosecutor (SPP) said that the investigating agency is overburdened. The SPP also told that the state police has so far not registered the complaints lodged against the companies. Hence, the complainants may be directed to lodge fresh complaints to the CBI, based on which the agency could verify them and proceed further. Besides, the CBI is not in a position to tell who is an appropriate officer to investigate the case.

The judge said, "In the case on hand, people who had availed cores of rupees as loan have not repaid the loan amount. When complaints were lodged against the alleged fraudulent persons, there was no action on the part of police. The state's additional public prosecutor told the court that no cognizable offence was made out in the complaints so that police did not proceed further. It appears that it is a serious financial fraud. Money deposited by the poor has been misappropriated. But, you (CBI) say you are burdened and want to issue a direction to the petitioner to lodge complaints afresh before the CBI and thereafter you will see whether the complaints are cognizable or not. Your submission leads the court to lose faith in you (CBI). The court can't accept it." Following this, the SPP apologised to the court.

According to the petitioner, 27 people from Madurai availed Rs 71.62 crore loan and four from Virudhunagar availed Rs 10.05 crore loan from Lakshmi Vilas Bank under the Lakshmi commodity power facility last year on the basis of stock of pulses including red masoor dal, urad dal in godowns of private persons. Later, the loanees defaulted on the payment. Meanwhile, the agency Star Agri which is responsible for stocking of pulses by the loaners complained to the police stating that they had not stored genuine dals and had just stored husk. Regarding that, police invited the bank officials for inquiry, through which they came to know about the fraud.

Rangarajan then lodged separate complaints before the crime branch police in Madurai and Virudhunagar district on September 14 stating that the 31 committed fraud by conspiring with S Siva and S Suruli Velu, partners and proprietor of Shree Sharavana Traders and Selvarani Impex, Selvarani Dhall Industries and Management and employees of Star Agri.

As no action was taken on the complaints, the petitioner sent a representation to the director general of police on October 7 to transfer the case from the crime branch police to CB-CID. But, the police who sat over the complaints for two months did not even register FIRs on the complaint, the petitioner claimed.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY