



**ALL INDIA UNION BANK PENSIONERS AND RETIREES FEDERATION
(Affiliated to All India Bank Pensioners & Retirees Confederation – AIBPARC)**

163/4, Kutchery Road, Mylapore, Chennai - 600004

E mail i.d: aiubparf@gmail.com/ ubioatnng@gmail.com/ suryanarayananram@gmail.com

Com. P.B. Thomas Chairman Thiruvananthapuram M: 09447177456	Com. B.B. Yadav Vice Chairman Sangli M: :098811 91110	Com. Nitin Desai President Ahmedabad M: 097277 60641	Com. S. Bagchi Working President Kolkata M: 0983081586	Com. N. Govindarajulu General Secretary Chennai M: 09841089111
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Dear Comrades,

24 th December , 2018

News of Interest 24th DEC

QUOTE OF THE DAY

‘CHANGE YOUR LIFE TODAY. DON'T GAMBLE ON THE FUTURE, ACT NOW, WITHOUT DELAY. ‘

SIMONE DE BEAUVOIR

HIGHLIGHTS

- 1. BOB, DENA, VIJAYA BANK MERGER: SCHEME OF AMALGAMATION LIKELY BY MONTH-END**
- 2. RBI CANCELS REGISTRATION OF 1,490 NBFCs IN 2 YEARS; KOLKATA TOPS THE LIST**
- 3. ALLAHABAD BANK WORKING HARD TO MEET RS 1,000 CRORE RECOVERY TARGET IN 3RD QUARTER MD**
- 4. SMALL FINANCE BANKS MAY REMAIN UNSCATHED BY FARM LOAN WAIVERS**
- 5. NINE BANK UNIONS CALL FOR ONE-DAY STRIKE ON DEC 26**

Business standard

1. BoB, Dena, Vijaya Bank merger: Scheme of amalgamation likely by month-end

As per the requirement, the scheme of amalgamation will be placed before Parliament, which is in session till January 8

Press Trust of India

The scheme of amalgamation spelling out the contours of the merger of Bank of Baroda (BoB), Vijaya Bank and Dena Bank is expected to be finalised by the end of this month, sources said.

As per the requirement, the scheme of amalgamation will be placed before Parliament, which is in session till January 8.

The scheme is being worked out and will subsequently get vetted by respective boards of the three banks. It will have details of share swap ratio and requirement of capital from the promoter, sources said.

The government has already committed funds for facilitating the first three-way merger in the public sector banking space.

The government expects that the new entity will be operational from the beginning of the next financial year, the sources added.

The move follows top lender State Bank of India last year merging five of its subsidiary banks with itself and taking over Bharatiya Mahila Bank, catapulting it to among the top 50 global lenders.

Earlier in September, the 'Alternative Mechanism' (AM) headed by Finance Minister Arun Jaitley decided to merge the three banks with a view to creating a global-sized lender which will be stronger and sustainable.

The finance minister assured capital support to the merged entity. Other members of the AM included Railways Minister Piyush Goyal and Defense Minister Nirmala Sitharaman.

The merged entity will have a combined business of Rs 14.82 lakh crore, making it the third largest bank after SBI and ICICI Bank.

It will have better financial strength. The net NPA ratio will be at 5.71 per cent, significantly better than the public sector bank (PSB) average of 12.13 per cent.

Besides, Provision Coverage Ratio (PCR) would be better at 67.5 per cent against the average of 63.7 per cent and cost to income ratio would come down to 48.94 per cent as compared to average 53.92 per cent.

Capital Adequacy Ratio (CAR) at 12.25 per cent will be significantly above the regulatory norm of 10.87 per cent, and the stronger amalgamated bank will be better positioned to tap the capital markets.

2. RBI cancels registration of 1,490 NBFCs in 2 years; Kolkata tops the list

Kolkata tops list with 617 cancellations, Delhi second with 203

[Abhijit Lele](#)

Stepping up oversight over credit companies, the Reserve Bank of India has cancelled the registration of 1,490 non-banking financial companies (NBFCs). These included NBFCs that failed to meet prudential norms and those that voluntarily surrendered registration.

Kolkata tops the list with 617 cancellations, and New Delhi stands at second spot with 203, followed by Mumbai at 190, according to the data provided by the RBI for parliamentary questions (Lok Sabha).

These cancellations happened owing to non-compliance with mandatory requirements like minimum net-owned funds (NoF) of Rs 20 million, not submitting statutory returns, and companies not being traced at the addresses they gave.

In some cases, NBFCs surrendered the certificate of registration, the RBI said.

The RBI said NBFCs registered with the regulator were subject to on-site inspection and off-site monitoring through return submission and statutory auditors' reports.

Analysts said finance companies had become crucial in extending support in the last mile to reach customers where banks experience limitations due to structure and staff strength. Finance companies have a nimble set-up, reach and flexibility to reach even remotest locations.

NBFCs are a key link in extending credit and other financial services to micro, small and medium enterprises (MSMEs) and those at the bottom of the pyramid across the country.

According to the Financial Stability Report published by the RBI in June 2018, loans and advances of the sector increased 21.2 per cent and investments 13.4 per cent. The aggregate balance sheet size at the end of March was Rs 22.1 trillion.

Senior NBFC executives said the quality of risk management and governance by finance companies had a bearing on the financial stability of the system. Defaults by Infrastructure Leasing & Financial Services (IL&FS) and its group entities in the second quarter of the current financial year (FY19) were a major setback to the financial system and hit liquidity for finance companies.

The RBI has stepped up supervision and now looks at liquidity management and loan books for asset quality to spot gaps and risks. The major concerns flagged about finance companies include borrowing short-term for lending to long-term assets, often leading to asset-liability mismatch. Governance and risk management practices need improvement.

According to the Financial Stability Report, there was a deceleration in the share capital growth of NBFCs, whereas borrowing grew 19.1 per cent, implying rising leverage. NBFCs have to maintain minimum Tier I and II capital of not less than 15 per cent of aggregate risk-weighted assets. All finance companies are subjected to prudential regulations such as capital adequacy requirements and provisioning norms, along with reporting requirements.

In March 2018, there were 11,402 of these companies registered with the RBI. Of those 156 were deposit-accepting (NBFCs-D). There were 249 deemed systemically important non-deposit accepting NBFCs. The number has come down to 10,102 by the end of September 2018, according to the RBI data.

Financial Express

3. Allahabad Bank working hard to meet Rs 1,000 crore recovery target in 3rd quarter MD

By: Mithun Dasgupta |

As a part of the turnaround strategy, the lender, which is under the prompt corrective action (PCA) of the Reserve Bank of India, is looking to bring down the net NPA ratio to below 6% by the first quarter next fiscal.

Allahabad Bank has set a cash recovery and upgrade target of Rs 1,000 crore for the October-December quarter to clean up its balance sheet, and the lender is working "very hard" to achieve it, managing director and chief executive officer SS Mallikarjun Rao has said. The city-based public sector lender is aiming to bring down its gross non-performing assets (NPAs) to around Rs 23,000-24,000 crore by this fiscal-end from Rs 27,236 crore at the end of the second quarter, Rao said during an interview with FE on Saturday.

As a part of the turnaround strategy, the lender, which is under the prompt corrective action (PCA) of the Reserve Bank of India, is looking to bring down the net NPA ratio to below 6% by the first quarter next fiscal. The bank is looking to come out of the PCA framework by June 2019. "We expect that the bank will be in a position to reach break-even by June 2019. Then we will approach RBI for reviewing our PCA status," said Rao, who assumed office of MD & CEO of Allahabad Bank in September.

The bank had reported Rs 1,822.71-crore net loss for second quarter this fiscal compared with Rs 1,944.37 crore for the first quarter. The net NPA ratio at the end of second quarter of this fiscal stood at 7.96%, while gross NPA ratio was at 17.53%. Notably, the bank's net NPA ratio will have to be below 6% in order to come out of PCA framework, subject to fulfilling other norms like profitability and capital-to-risky-asset ratio (CRAR). "It is important for me is to reduce the gross NPA in absolute terms. We are targeting to bring down the gross NPA to around Rs 23,000-24,000 crore by March 2019, considering all the upgrades, fresh slippages, and resolutions in insolvency cases," Rao said.

"We are looking at cash recovery and upgrade of Rs 1,000 crore in the December quarter. We are already at around Rs 700-750 crore. So, we are looking at reaching Rs 1,000 crore, which may appear to be little tough because the number of days left in this quarter is less. But we are working very hard on it," he said. The bank has referred as many as 131 accounts of stressed assets involving Rs 16,600 crore to the National Company Law Tribunal for resolution under Insolvency and Bankruptcy Code. "Out of that, 81 accounts were admitted. We are hoping that 17-18 cases involving Rs 4,000 crore would be resolved by March 2019," he said.

On capital requirement, Rao said it was expecting that the government would infuse additional capital into it with the Centre going to infuse additional Rs 41,000 crore into public sector banks. The bank had received Rs 3,054-crore capital investment from the government in November. Following that, its total CRAR stood at 10.89% with the common equity tier-1 CRAR of 7.59%. "In FY20, we don't want to take any capital from the government as its stake in our bank is already 83%," the MD said, adding that in the next fiscal the bank may go for QIP, follow-on public offer or rights issue for its capital requirement.

In corporate lending, the bank is taking exposures to AAA-rated and AA-rated firms to reduce risks. "Since our bank is under PCA, our approach is completely calibrated. That means we don't like to go for lending in large-corporate and mid-corporate segments

without going through the rating mechanism because for us risk-weighted assets are cut down, below which we will have to do the lending. So, we are looking at AAA and AA-rated firms, where the risk weightage is 20-30% respectively," Rao said.

Economic Times

4. Small finance banks may remain unscathed by farm loan waivers

ET Bureau

An anticipated wave of populism in the run-up to next year's balloting is unlikely to rock small-finance banks such as Ujjivan, Equitas, and AU as earlier instances of farm loan waivers showed that state governments had fully compensated these lenders that often loan funds to the less privileged.

Furthermore, these banks have also expanded into nonfarm lending and new geographies as part of broader risk management. Their reliance on a rural customer base has shrunk, making them more resilient against likely announcements of loan forgiveness.

Shares of Ujjivan rose 25%, Equitas 12% and AU Small Finance Bank 8% in the past one month despite loan waivers announced in Madhya Pradesh, Rajasthan, and Chhattisgarh. These announcements are otherwise expected to lead to a lending freeze for the farm business in the coming quarter, likely putting a question mark on the performance of the loans advanced.

"Small-finance banks are urban MFIs and farm-loan waivers do not affect their customers much," said Digant Haria, analyst, Antique Broking.

"Ujjivan has a 90% micro finance book while Equitas has moved away from micro finance... to around 25%."

Moreover, the Street believes that the Reserve Bank of India (RBI) would not impose restrictions on small-finance banks for their failure to comply with listing stipulations. Regulations require Equitas and Ujjivan to list the banks within stipulated time-frames. RBI recently eased operational curbs on Bandhan Bank. It allowed Bandhan Bank to open new branches after the change of guard at Mint Road.

RBI had imposed restrictions on Bandhan Bank's branch expansion as it failed to pare down the promoters' stake to 40% within the stipulated timeframe of three years of starting the bank.

Both Equitas and Ujjivan listed the holding company after receiving the small-finance bank license. They need to do a separate listing for the banks. AU Finance was a non-banking finance company that converted itself into a small-finance bank and then got listed on the exchange.

No Red Flags

**The loan waivers announced is expected to cause a lending freeze for agriculture in the coming quarter and rise in NPAs*

**Small finance banks have diversified their portfolio*

**Experts say the RBI will not impose restrictions on small finance banks for failing to comply with listing stipulations*

Business Line

5. Nine bank unions call for one-day strike on Dec 26

Press Trust of India

Close to 1 million employees of various banks, including private lenders, have called for a one-day strike on December 26 to protest against the proposed amalgamation of Vijaya Bank and Dena Bank with Bank of Baroda.

The strike call comes on the heels of an officers union of state-run banks observing a day-long strike last Friday on similar grounds along with the demand for immediate settlement of the wage negotiations.

In September, the government had announced the merger of state-owned Vijaya Bank and Dena Bank, both under the prompt corrective action (PCA) framework of the RBI, with Bank of Baroda, creating the third largest lender.

"This amalgamation is not in the interest of banks or bank customers. It is rather detrimental to both," the United Forum of Bank Unions (UFBU) said.

The UFBU is an umbrella Organisation for nine unions, including the All-India Bank Officers Confederation, the All- India Bank Employees Association and the National Organisation of Bank Workers, among others.

Strike on Wednesday

On December 26, the unions will take out a rally and hold a demonstration at the Azad Maidan in South Mumbai.

Around 3.20 lakh officers from various state-run banks were on a one-day strike on December 21, seeking immediate wage revision and opposing the proposed merger.

Bank managements have mandated the industry lobby Indian Bank Association (IBA) to negotiate for scale 1-3 but unions want this to be raised up to scale 7.

The wage talks have been on for the past 13 months between the unions and the IBA, the latter has offered a wage revision of just 8 per cent.

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)
GENERAL SECRETARY**