



ALL INDIA UNION BANK PENSIONERS AND RETIREES FEDERATION
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Dear Comrades,

3rd May, 2018

News of Interest 3rd MAY

MOTIVATIONAL QUOTES

WE MUST NOT ALLOW OTHER PEOPLE'S LIMITED PERCEPTIONS TO DEFINE US.

VIRGINIA SATIR

HIGHLIGHTS

1. PSB SLIPPAGES MAY WIDEN AFTER NEW RULES
2. SOUTH INDIA BANK TO RAISE RS 7 BN VIA QIP TO FUND ITS 20% GROWTH TARGET
3. ICICI BANK NAMES RADHAKRISHNAN NAIR AS INDEPENDENT DIRECTOR
4. NPAS HIT MONETARY POLICY TRANSMISSION IN INDIA: RBI REPORT
5. IDBI BANK UNION THREATENS TO STRIKE AGAIN OVER WAGE PACT

Business Standard

1. PSB slippages may widen after new rules

As of December 2017, large corporate accounts of the top five PSBs had more than a quarter share in their gross advances

Shreepas S Aute & Abhijit Lele

Axis Bank, a major private lender, reported slippages of Rs 165.4 billion during the March 2018 quarter, a major chunk of which came from the corporate segment on account of new rules about non-performing assets (NPAs) issued by the Reserve Bank of India on February 12, 2018. This could be a precursor to even larger slippages in public sector banks (PSBs),

given their bigger exposure to large corporates and the pool of stressed assets.

According to an executive with Union Bank of India, it is going to be a big obligation to provide for slippages during the quarter mostly on account of the RBI's new rules for restructuring loans.

As of December 2017, large corporate accounts of the top five PSBs had more than a quarter share in their gross advances and the standard restructured asset pool was equivalent to 3.2 per cent of their advances. This indicates a higher chance of additional slippages in the fourth quarter.

The leeway for banks from various restructuring schemes such as S4A, 5/25 and CDR —which allowed banks to treat stressed accounts as restructured but standard assets — is no longer available in case of large accounts with exposure of Rs 20 billion or more under the revised NPA rules.

Moreover, given their feeble capital base, provisioning will be more difficult for PSBs and will render insufficient the recent capital infusion by the government. Net NPAs and standard restructured assets of the five major PSBs are 57-200 per cent of their respective net worth as of December 2017.

“Private sector banks have a sufficient capital base to absorb the burden of incremental provisions. But PSBs have limited or negligible room to take on the extra burden.

The government, which has announced a Rs 2.1 trillion capital infusion plan, will have to review their capital requirements after all the PSBs declare results,” the Union Bank of India executive said. Recent frauds will further drag down profits and, in turn, the capital base of banks such as Punjab National Bank.

On the flip side, Bank of India will get some relief during the quarter due to recovery of Rs 90 billion in bank guarantees.

“The bank has been able to recover Rs 90 billion, by invoking guarantees, in this quarter from accounts that were downgraded in the last quarter. This amount will help to partly take care of the provision burden. Hence, the effect of the new NPA rules will be less severe for the bank,” said D Mahapatra, managing director and chief executive, Bank of India. But, still the bank's net NPAs as on December 2017 are more than its net worth.

2. South India Bank to raise Rs 7 bn via QIP to fund its 20% growth target

Lender may look at diluting 10-12%, will focus more on retail, agriculture and MSME (RAM) and reduce dependence on its corporate book

T E Narasimhan

Kerala-based South Indian Bank (SIB) is planning to raise Rs seven billion through Qualified Institutional Placements (QIP) to support its 20 per cent growth target.

The bank's Managing Director & CEO, V G Mathew, told *Business Standard* that the lender may look at diluting 10-12 per cent to raise around Rs 6-7 billion through the QIP route.

"We will be looking at raising capital this year itself to support our growth," said Mathew.

The bank, whose base is currently at around Rs 550 billion, is confident on growing at around 20 per cent, while its desire is to grow at around 25 per cent.

The lender plans to raise the money through equity placement (200 million shares) to Qualified Institutional Buyers (QIB). Currently around 40 per cent of the capital base is held by various investors and of this 30 per cent is held by foreign investors including Lavender Investments, First Carlyle Venture, IVA International Fund and Acacia Partners.

As part of its growth plan, the bank has decided to focus on retail, agriculture and MSME (RAM) and reduce dependence on its corporate book, which has been under pressure for a few years now.

At present, it is 66:34 (retail: corporate) as against 60:40 earlier and the bank want to make it 70:30, said Mathew, adding that the bank has put structure, systems, people and processes in place to grow the non-corporate business.

South Indian The Bank has created separate verticals/ centres to address the asset side.

Its 850 existing branches and another 50 extension counters will be supported by technology .

On CASA, Mathew said the desired target for the bank is to reach 30 per cent from less than 25 per cent now. The lender is trying to tap the 5.6 million existing customer for its retail products.

The bank has set a target to bring down NPAs (non-performing assets) to 2.5 per cent in the next 18 months from the current 3.5 per cent on the back drop of high recovery, less slippages, selling NPAs to ARCs.

"We are confident that GNPA will remain at stable level for time being and it will reduce as we going forward."

With most of the provisioning of stressed assets behind it, South Indian Bank is focusing on aggressively growing its retail book. Ventura Securities expects the loan book to grow at a 16 per cent CAGR to Rs 728 billion by FY20, driven by a 21 per cent CAGR in the retail book. The broking house added in a report in the middle of April, 2018, that the NPAs are expected to normalise to historical levels and, as a result, earnings are expected to grow at 28.6 per cent CAGR to Rs 8.34 billion over the same period.

Financial Express

3. ICICI Bank names Radhakrishnan Nair as Independent Director

ICICI Bank today said its board has appointed Radhakrishnan Nair as an additional (independent) director of the bank for five years

By: PTI

ICICI Bank today said its board has appointed Radhakrishnan Nair as an additional (independent) director of the bank for five years. The appointment is subject to the approval of shareholders, the private sector lender said in a regulatory filing. Nair (63) is also an independent director of three subsidiaries of the bank – ICICI Prudential Life Insurance Company, ICICI Prudential Trust and ICICI Securities Primary Dealership. He is also a director at several other companies.

The filing further said that Tushaar Shah, non-executive independent director of the bank will complete his tenure of eight years as prescribed under the Banking Regulation Act, 1949 today and will cease to be the Director of the bank effective May 3, 2018. Nair has around 40 years of experience in the banking industry and in the field of securities and insurance regulation. He started his banking career with Corporation Bank in August 1976. In July 2005, he became an executive director at market regulator Securities and Exchange Board of India (SEBI). In March 2010, he joined Insurance Regulatory and Development Authority of India (IRDAI) as member (finance and investment).

Economic Times

4. NPAs hit monetary policy transmission in India: RBI report

By *Joel Rebello*

Bad loans have impaired monetary policy transmission in India as banks were unable to increase their lending rates and protect net interest margins (NIMs) amid a broad deterioration in asset quality between 2013 and 2017, a central bank research paper said on Wednesday.

“When the gross NPA ratio was high and rising, banks were not able to protect their NIMs as in a competitive environment, there are limits up to which banks can charge extra credit risk premia. NIMs of public sector banks, which had large NPA/stressed assets, were negatively impacted, while NIMs of private sector and foreign banks were not,” the paper authored by Joice John, Arghya Kusum Mitra, Janak Raj and Deba Prasad Rath said.

NIMs are the difference between the yield a bank earns on loans and that it pays on deposits. The paper is titled ‘Asset Quality and Monetary Transmission in India. ‘Although not the official view of the Reserve Bank of India (RBI), these occasional research papers authored by RBI officials are a good indicator of the thinking within the central bank.

The set of four papers released on Wednesday includes one authored by Monetary Policy Committee (MPC) member and RBI executive director Michael Patra. Two MPC members Pami Dua and Chetan Ghate are also on the advisory board.

The paper says that as gross NPAs for banks rose, they were unable to increase interest rates due to competitive pressures. Gross NPAs of scheduled commercial banks increased from 3.4% of advances in March 2013 to 4.7% in March 2015 and further to 9.9% by March 2017. By

contrast, bank NIMs, after increasing to 2.9% in 2010-11 from 2.2% in 2009-10, declined to 2.5% in 2016-17.

"The analysis suggests that credit risk, proxied separately by the gross NPA and stressed asset ratios, had a positive impact on the NIMs of scheduled commercial banks for the period Q1, FY11 to Q1, FY18, implying that deterioration in asset quality impaired monetary transmission," the researchers said. Banks were unable to increase NIMs because interest income could no longer be recognised, competitive pressures refrained banks from loading extra credit risk premium, and credit growth slowed down sharply from 18.3% in Q1, FY11 to 9.2% in Q1, FY16 and further to 5.9% in Q1, FY18.

"Large NPAs on the one hand and a sharp decline in credit volumes on the other possibly resulted in the coefficient of size turning statistically insignificant. This also impacted NIMs of banks," the research paper said.

Business Line

5. IDBI Bank union threatens to strike again over wage pact

VINSON KURIAN

Unrest among IDBI Bank officers as wage revision pact stalls

The All India IDBI Officers' Union has warned the management to revive its agitation programme if the wage revision pact is not implemented. The IDBI Bank management and officers union had agreed on the overall structure of pay and allowances due from November, 2012 in March.

Reviving agitation

"If this attitude of the management continues, we might be forced to revive our agitation program to secure our legitimate rights," Vithal Koteswara Rao, general secretary, AIIDBIOA, said. "We are in constant touch with our parent organisations i.e., All India Bank Officers Association and All India Bank Employees Association, over the matter," Rao told *Business Line*.

The parent unions had deferred a strike call in December last year, in support of the demand of wage revision due from November, 2012 for IDBI Bank officers and employees.

March meeting

Rao recalled the meeting held between representatives of management and AIIDBIOA on March 8 and 9 this year. The parties had reached a 'common understanding' with regard to overall structure of pay and allowances due from November, 2012.

The management had extended an assurance to the AIIDBIOA on escalating 'as soon as possible' the consensus arrived on implementing the wage revision. However, Rao alleged that the management failed to show any urgency in honouring its commitment.

No communication

"Despite our repeated follow-ups, we have not received any communication on further development with regard to wage revision due from 2012 to 2017." On April 12, AIIDBIOA had written to the Managing Director and Chief Executive Officer of IDBI Bank seeking his intervention in this regard but to no avail. "It is quite surprising to notice that the MD & CEO have

chosen to remain silent in this matter. Our letter has remained unanswered to this day," Rao said.

With kind regards,

Yours Comradely,

A handwritten signature in blue ink, appearing to read 'N. Govindrajulu', with a long, sweeping horizontal stroke extending to the right.

(N. GOVINDRAJULU)
GENERAL SECRETARY