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Dear Comrades,

4th May, 2018

News of Interest 4th MAY

MOTIVATIONAL QUOTES

'GIVE LIGHT AND PEOPLE WILL FIND THE WAY.'

ELLA BAKER

HIGHLIGHTS

- 1. INDIA'S PRIVATE BANKS HAVE BEEN BIGGEST WINNERS FROM NOTE BAN: HERE'S HOW**
- 2. PSB SLIPPAGES MAY WIDEN AFTER NEW RULES**
- 3. PNB HOUSING FINANCE Q4 NET UP 44 PER CENT AT RS 219 CRORE**
- 4. GROWTH IN BANK DEPOSITS FALLS TO FIVE-DECADE LOW**
- 5. BANK ACCOUNT PORTABILITY STILL SOME TIME AWAY**

Business Standard

1. India's private banks have been biggest winners from note ban: Here's how

The recruitment drive at the private banking unit, which started in the early 2000s, moved into high gear last year as India's rich started shifting investments away from property and gold

Antony

India's clampdown on unaccounted cash has sent a flood of money into the private banking industry, prompting a major lender to embark on a hiring binge for wealth managers.

HDFC Bank Ltd. -- the most preferred wealth manager in India among high net worth clients surveyed by Euromoney -- plans to add as many as 150 relationship managers by the end of 2020 to the current 250, said Rakesh Singh, group head of private banking. He started hiring at a faster pace last year, when he added about 50.

The recruitment drive at the private banking unit, which started in the early 2000s, moved into high gear last year as India's rich started shifting investments away from property and gold and into financial markets, Singh said in an interview last month. Real estate and gold purchases were often financed with cash as a way to avoid Indian taxes, and have come under greater scrutiny since demonetization.

"Demonetization has been the inflection point for the private banking business in India," Singh said, predicting HDFC Bank's wealth assets will double to a record \$16 billion over the next three years. "Conversations on investments in asset classes like real estate and gold have ceased, and that money is going into equity, debt and so on."

Singh's unit manages wealth for 16,000 of HDFC Bank's richest clients. HDFC Bank, India's largest private-sector lender by assets, was ranked among the country's top three wealth managers in a 2018 survey by Euromoney.

Singh said HDFC is seeking to grab a larger share of the growing number of millionaires in India, as well as to get existing clients to do more transactions and invest more of their money through the bank.

Unlike larger rivals IIFL Holdings Ltd. -- which has some 300 relationship managers -- and the wealth management business of Kotak Mahindra Bank Ltd., HDFC Bank relies on commissions for its wealth management revenues, rather than on advisory fees or bespoke investment products.

One immediate investment opportunity HDFC Bank will steer clear of is India's \$210 billion pile of stressed assets, touted by some as a chance to buy firms at a steep discount. The nation's revamped bankruptcy process is in full swing but risks being delayed by factors ranging from a shortage of judges to legal challenges.

"We believe it is not the right thing for high net worth individuals to get exposed to stressed asset investments," said Singh. "It is better to wait for two years for the process to get well settled, and rough edges to get sorted out" before plunging in, he added.

2. 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.

Financial Express

3. PNB Housing Finance Q4 net up 44 per cent at Rs 219 crore

PNB Housing Finance today reported a jump of 44 per cent in its net profit at Rs 219.20 crore in the last quarter ended March of 2017-18

By: PTI

PNB Housing Finance today reported a jump of 44 per cent in its net profit at Rs 219.20 crore in the last quarter ended March of 2017-18. The company had made a net profit of Rs 152.4 crore in the corresponding period of 2016-17. The total income during the quarter rose to Rs 1,570.21 crore as against Rs 1,438.63 crore in the March quarter of 2016-17, the company said in a release. Net interest income during January-March of 2017-18 grew by 36 per cent to Rs 451.8 crore from Rs 332.7 crore in the same period a year ago.

PNB Housing Finance said it sold loans worth Rs 3,128.50 crore under direct assignment route in the last quarter ended March 2018. For the full year, the net profit jumped by 58 per cent to Rs 829.4 crore from Rs 523.7 crore

in 2016-17. Total income during the year rose to Rs 5,516.95 crore as against Rs 3,907.85 crore in the previous fiscal.

Net interest income for the year rose to Rs 1,592.6 crore as against Rs 1,034.8 crore registering a growth of 54 per cent. The board of directors has recommended a final dividend of Rs 9 per equity share for 2017-18. Dividend payout ratio for the year inclusive of dividend distribution tax is 21.88 per cent, it said.

On asset quality, gross non-performing assets (NPAs) stood at 0.33 per cent of the loan assets as on March 31, 2018 against 0.22 per cent as on March 31, 2017, the company said. At an asset under management (AUM) level the gross NPA falls further to 0.31 per cent, it added. Net NPA stood at 0.25 per cent of the loan assets as by end-March, 2018 against 0.15 per cent in the same year ago period, said the PNB subsidiary.

"The financial year 2017-18 was the first full year results post our initial public offer. During the year, we achieved double-digit growth supported by a healthy segment mix without compromising on credit quality and underwriting processes," said Sanjaya Gupta, Managing Director, PNB Housing Finance .

"We are a fifth largest housing finance company with the asset under management of Rs 62,252 crore as on March 31, 2018. We continue to build on our growth strategy enabled by new capacities and right sized competencies," Gupta said. It offers housing and non-housing loans to retail customers. It also offers construction finance loans to real estate developers for residential housing. Stock of PNB Housing Finance closed 0.12 per cent down at Rs 1,414.35 apiece on BSE today.

Economic Times

4. Growth in bank deposits falls to five-decade low

By *Joel Rebello Gayatri Nayak*, ET Bureau

Bank deposit growth fell to a five-decade low in fiscal year ended March 2018 as the demonetisation bonanza withered away and the lure of other savings instruments such as mutual funds and insurance eroded banking competitiveness.

Data from the Reserve Bank of India (RBI) website shows aggregate deposits in the banking system grew a mere 6.7% in 2017-18, the lowest since fiscal 1963. Bankers say the reversal from the huge deposits collected in light of the November 2016 demonetisation together with the steady movement of savings away from bank deposits has hit growth.

"Deposits soared after demonetisation, which is why growth last year was higher. But most of that money has gone out of the banking system last fiscal and that is reflecting in the slower deposit growth numbers," said PK Gupta, managing director, retail and digital banking, SBI.

During November-December 2016, banks received Rs 15.28 lakh crore as people deposited high denomination currency notes that were withdrawn from circulation. As a result, aggregate deposits in the fiscal ended March 2017 grew 15.8% to Rs 108 lakh crore.

This pace of growth has now come down by 6.7% with deposits aggregating Rs 114 lakh crore. Savings have also moved to other asset classes from

bank

deposits.

Total mutual fund assets under management have increased 22% to Rs 21.36 lakh crore in March 2018 from Rs 17.55 lakh crore in March 2017.

This had grown 42% from Rs 12.33 lakh crore in March 2016 to Rs 17.55 lakh crore in March 2017. This trend is also visible in insurance investments as first premiums have increased to Rs 1.93 lakh crore in March 2018 from Rs 1.75 lakh crore in March 2017 and Rs 1.38 lakh crore in March 2016.

"The base effect post demonetisation has played a large part as money came back into circulation. Though clearly there is a move towards MFs. This year, with interest rates moving up and equity markets likely to remain soft, we could see some uptick in deposits though not a sharp rise," said Karthik Srinivasan, head-financial sector ratings, Icra.

Bank rates are already rising. Last week, HDFC Bank hiked fixed deposit rates in select tenures for deposits under Rs 1 crore by up to 100 basis points. One basis point is 0.01percentage point.

Bankers say bank deposits are still seen as a liquid investment option which mutual funds and insurance schemes cannot compare with. Also, mutual fund investments ultimately make it to bank deposits. "Ultimately, debt funds will invest in bank certificates of deposit and fixed deposits and that is also captured in aggregate bank deposits. Growth in deposits is also a function of the GDP growth and includes dynamics like nominal rates, cash with public and real growth," said Rajat Monga, head-liabilities product management at Yes Bank.

Business Line

5. Bank account portability still some time away

SURABHI

Technical issues and the large number of bank accounts are major challenges

Unhappy with your bank's services and want to switch to another bank while retaining your account number?

Bank account number portability, as it is called, may still be some time away, with technology and the sheer number of bank accounts in the country seen as the biggest obstacle.

The debate, which was started by former Reserve Bank of India Deputy Governor SS Mundra, has now been rekindled by the All India Bank Employees Association.

In a letter to RBI Governor Urjit Patel, the association has called for bank account number portability as "an antidote to several restrictive practices" by banks.

"Banks are not customer-friendly to small account-holders and have put in restrictions on minimum account balance and have a plethora of service charges. Often they don't even pass on concessions to customers," said CH Venkatachalam, General Secretary, AIBEA, adding that there is sufficient technology for bank account number portability.

"This is the logical next step after digital banking," he told *BusinessLine*.

Earlier in May 2017, Mundra had also similarly asked banks to look into bank account number portability as it would improve customer service by enhancing competition.

While the RBI had in 2012 allowed intra-bank portability allowing customers to shift their bank accounts to another branch of the same bank without undergoing the full know-your-customer process, it has remained silent on the issue of inter-bank portability.

A costly affair

Bankers say that while it will be a very useful facility for consumers, it could be a costly exercise.

"While this is an extremely positive consumer-centric move, there could be some challenges in implementation with regard to technological readiness of the banks," said Rajan Pental, Group President and Head of Branch and Retail Banking at YES Bank, adding that from a technical perspective, it will require customers to have a unique identification and regulatory changes allowing banks to rely on KYC done by the other bank with recourse.

"The regulator and banking industry will need to resolve issues such as the new bank honouring existing standing instructions, EMI and ECS mandates, honouring cheques issued or given as PDC and portability with or without history," he further said while welcoming such a move.

Core Banking System

"The account numbers and banking codes of most banks are different. These will have to be streamlined in some way for customers to switch between banks while retaining their account numbers," pointed out another banker, adding that even the Core Banking System of banks will have to be aligned.

Additionally, the sheer number of bank accounts in the country, which Venkatachalam pegs at over 80 crore, could pose a problem.

"The numbers are too large and every bank will have to have a dedicated team for account portability. Further, with concerns of money laundering and tax evasion, there will still have to be some scrutiny," noted another executive with a public sector bank.

He also pointed out that the lack of financial literacy, especially in rural areas could pose a challenge, where customers could become a target of mis-selling.

However, experts say that with the use of Aadhaar and the National Payments Corporation of India (NPCI), bank account number portability is quite possible, though, perhaps, in a gradual manner.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY