



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

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Dear Comrades,

28th May, 2018

### News of Interest 28th MAY

#### MOTIVATIONAL QUOTES

THE PAST CANNOT BE CHANGED. THE FUTURE IS YET IN YOUR POWER.  
UNKNOWN

#### HIGHLIGHTS

1. CHENNAI-BASED LAKSHMI VILAS BANK EYES GROWTH, PLANS TO RAISE RS 10 BN
2. NO-FRILLS A/C HOLDERS PAY HEAVY PENALTY FOR EXCEEDING WITHDRAWAL LIMIT
3. WHY SBI IS NOT TOO KEEN TO BUY IDBI BANK'S TOXIC LOANS
4. SUDHA BALAKRISHNAN APPOINTED FIRST CFO OF RESERVE BANK OF INDIA
5. BANK OF BARODA POSTS ₹3,102-CR LOSS IN Q4
6. CORPORATION BANK Q4 LOSS AT ₹ 1,838 CR

#### Business Standard

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#### 1. Chennai-based Lakshmi Vilas Bank eyes growth, plans to raise Rs 10 bn

The capital adequacy ratio was 9.81 per cent at end-March, from 10.38 per cent a year before

T E Narasimhan

Lakshmi Vilas Bank (LVB) plans to raise another Rs 10 billion in equity capital, to support its growth.

It is looking at various investors, including private equity entities, said P Mukherjee, managing director and chief executive. He said investors had shown interest but gave no names.

Chennai-based LVB's total business was about Rs 603 billion at the end of 2017-18. It had raised Rs 7.8 bn through an equity rights issue in the March quarter.

The capital adequacy ratio was 9.81 per cent at end-March, from 10.38 per cent a year before.

Investors have shown interest in new-generation and mid-size private banks. Canada-based Fairfax, for instance, will take a 51 per cent stake in Kerala-based Catholic Syrian Bank for around Rs 12 billion.

"In the past couple of quarters, we were able to clean up our books and control slippage (of loan dues into non-performing assets), which have got the eyes of investors," said Mukherjee. The loan watch list was around Rs 25 billion at the start of 2017-18; this has been brought down to Rs 12 billion. It reported a loss of Rs 6.2 billion for the final quarter of FY18, attributing this to a multi fold jump in provisioning for bad loans.

Mukherjee said the major pressure on the loan book was of syndicate loans. The bank was addressing this by selling some of these and through recovery.

"Today, we are able to identify assets a lot faster and it makes significant difference for the book," he said.

LVB has also switched focus to medium and small enterprises for lending, beside individuals — it says stability is more and risk is less. At end-March 2018, around half of all loans were to bigger corporates. The year's target is to reduce this to 45-47 per cent. The other focus would be on fee-based income. As for non-performing assets, the aim for 2018-19 is to recover Rs 13 billion through cash recovery and asset sale, against Rs 7-8 billion last year.

## **2. No-frills a/c holders pay heavy penalty for exceeding withdrawal limit**

While no charges are levied for maintaining no-frills account or BSBDA in a bank, the regular accounts are subject to various fees and charges

Press Trust of India

No-frills account holders are facing penalty for exceeding the limit of four withdrawals in a month as several banks are using the 5th debit as a trigger to convert the Basic Savings Bank Deposit Account (BSBDA) into a regular one, says a report.

While no charges are levied for maintaining no-frills account or BSBDA in a bank, the regular accounts are subject to various fees and charges.

The key restriction on a BSBDA is that the account holder cannot make more than four withdrawals in a month, though there is no such limit on number of deposits.

These design anomalies are prompting the bankers to overcharge BSBDA customers in violation of the RBI's extant regulations, said the report prepared by Ashish Das, IIT Bombay professor.

The moment a 5th debit transaction is done by the customer in a month, these banks without explicit and voluntary consent of customers are unilaterally converting the BSBDA into a regular savings account, requiring high minimum balance and associated service charges, the report said.

Reserve Bank of India should put a halt to involuntary conversion of BSBDA to regular savings account, the report said, adding that the whole scheme was launched to promote financial inclusion.

It also suggested that RBI should remove the restrictions on number of digital transactions in a month by such account holders, in tandem with the government's policy to promote less cash economy.

At present, after four debits in a month from a BSBDA, the customer is no longer able to make online purchases, transfer money through BHIM or use RuPay debit card at merchant locations for day-to-day purchases, the report said.

Inhibiting the financially included folks to transact digitally through their bank accounts is a blow to our country's digital payments drive. The very nature of the RBI regulation, has forced banks to limit the BSBDA usage, the report said.

RBI mandated savings product BSBDA provides to the customer facilities of unlimited credit, four debits every month, zero minimum balance, and no service charges.

As part of the financial inclusion drive, the RBI had launched the scheme in August 2012. The financial inclusion programme got a boost with the launch of the Pradhan Mantri Jan Dhan Yojana (PMJDY) in August, 2014.

Presently there are about 54 crore BSBDA have been opened through branches and Business Correspondent (BC) points, of which, more than half have been opened under PMJDY.

Though PMJDY accounts are meant primarily for financial inclusion, BSBDA have a much broader perspective and can be opened by anyone not only by certain types of individuals like poor and weaker sections of the population but also other sections of the population without any restrictions imposed on income.

It is a basic banking account available to all customers, the report said, while underlining the need to cure anomalies in the scheme.

## **Financial Express**

### **3. Why SBI is not too keen to buy IDBI Bank's toxic loans**

Biggest lender not too keen as it feels NPAs are being offered at very unattractive prices

By: [Shayan Ghosh](#) |

The government is exploring an exercise to move a chunk of IDBI Bank's stressed loans to the books of State Bank of India (SBI). Understandably, the top management at the country's biggest lender is unhappy with the idea of toxic assets being foisted on them, sources told FE.

The government, FE has learnt, would like SBI to 'buy' both non-performing assets (NPAs) and standard stressed loans — loans which are not NPAs yet but for which promoters have missed the repayment deadlines.

The big concern that SBI has is that the toxic assets are being offered by IDBI Bank at very unattractive prices. IDBI Bank is willing to take haircuts, on the sales of the loans, of only around 20-50%. Given the quality of the assets, the SBI management believes the discounts need to be much higher, somewhere in the region of 70-85%.

Last week, MK Jain, MD & CEO, IDBI Bank, confirmed the lender's board had approved a proposal to Rs 21,397 crore of loans, comprising 30 corporate accounts. "Obviously, there'll be a process and in a few months... we have to run that process and then we will see how much we are able to work out," he said.

A sale of toxic assets would make IDBI Bank's balance sheet cleaner and the lender more eligible for an investment or takeover by a strategic investor. While the government, which owns 80.96% of IDBI Bank, has been trying to offload a stake in it for some time now, the effort has been unsuccessful.

Notable loans up for sale include IDBI Bank's loans to Air India, GMR Hyderabad Vijayawada Expressways, KSK Mahanadi Power and a clutch of power projects.

As on March 31, 2018, IDBI Bank's NPAs were at a Rs 55,588 crore, of which the standard stressed loans accounted Rs 10,131 crore (fund and non-fund based).

"The government wants SBI to take these assets on its books because the quantum would be relatively small compared to SBI's balance sheet. At the same time, IDBI Bank's books would have been spruced up," a banker said.

Senior executives from both lenders indicated to FE five meetings had been held to discuss the exercise though no decisions had been arrived at yet. The top brass of SBI is uncomfortable with taking on stressed assets of IDBI Bank and has expressed its reluctance to do so. SBI, the top executives have pointed out, already has more than Rs 2 lakh crore of bad assets and under the circumstances, it would not be prudent to be saddled with more.

SBI reported a loss Rs 7,718 crore for the three months to March — the lender's second consecutive quarterly loss in FY18. The lender's asset quality deteriorated taking the gross NPAs to 10.91% of total assets or Rs 2.23 lakh crore in absolute terms.

Emails sent to SBI, IDBI Bank and to the companies, except GMR, remained unanswered till the time of going to the press.

Meanwhile, IDBI Bank posted a loss Rs 5,663 crore in the March quarter of FY18, wider than the loss Rs 3,200 crore in the same period of FY17. The bank's gross bad loan ratio hit a record-high of 27.95% in Q4 of 2017-18, signifying that more than one-fourth of its total loans have now turned bad.

A GMR Group spokesperson said, "To the best of our knowledge, we are not aware of any plans of IDBI Bank to sell our asset to SBI."

**Economic Times**

#### **4. Sudha Balakrishnan appointed first CFO of Reserve Bank of India**

By *Joel Rebello*

NSDL executive Sudha Balakrishnan has been appointed the first ever chief financial officer (CFO) of the Reserve Bank of India (RBI) effective May 15, in what is the biggest organisational change since Urjit Patel took over as RBI governor in September 2016, three people familiar with the information said.

Balakrishnan, a chartered accountant, was till recently vice president with the National Securities Depository Ltd (NSDL), India's first and largest depository, before joining RBI. She will be the 12th executive director of the RBI, and will have a three year term.

RBI did not reply to an email seeking comment.

At the RBI, Balakrishnan will be in charge of the central bank's balance sheet to ensure accounting policies and procedures comply with regulations.

A recruitment notice issued in October 2017 said the new CFO will also be responsible for communicating an accurate and timely reporting of the central bank's financial performance and oversee its budgetary processes.

Besides internal accounts and budget, the CFO will also be in charge of corporate strategy functions like deciding the provident fund rate, which the central bank manages for its employees.

But more importantly, Balakrishnan will be in charge of the government and bank account department, which processes government transactions like payments and revenue collections such as taxes. As the nodal officer managing the RBI balance sheet, Balakrishnan will also oversee the central bank's investments in India and abroad.

The idea to have a dedicated officer handling the internal financial functions of the RBI was first floated during Raghuram Rajan's term as RBI governor. Rajan had proposed creating a post of chief operating officer (COO) at the rank of a deputy governor but that proposal was not accepted by the government.

After Patel took over as RBI governor, it was decided in consultation with the government to have a CFO position at the rank of an executive director.

"The job profile that Balakrishnan has got is more than what was advertised," said a former senior executive from the RBI. "As CFO she will be privy to a lot of sensitive information of the RBI, including the foreign investments.

Given that this post is a contractual one, with the first term lasting just three years, there is an inherent risk in this job profile. Having said that it is a new experiment and one needs to see how it evolves."

So far the central bank's balance sheet was managed internally and there was no dedicated officer to do the job. This post is likely to free up some functions at the top management level of the central bank.

RBI has been searching for a CFO since May 2017 when it first advertised for this post. However, an executive from a foreign bank who was selected declined to join because of differences regarding remuneration.

RBI again advertised for the post in October 2017 and after a long winding process finally selected Balakrishnan.

Balakrishnan is eligible for a monthly salary of Rs 2 lakh with housing or Rs 4 lakh per month without housing and an annual increase of 3% to 5% of gross cost to company.

The appointment will initially be made for a period of three years, which could be extended further subject to annual review, RBI said in the recruitment notice.

### **Sudha Balakrishnan is CFO of RBI**

As CFO, Balakrishnan will also be in charge of the dividend RBI pays to the government, which is crucial in the final budgetary calculations.

Under the RBI Act, 1934, the central bank is required to pay the government its surplus after making provisions for bad and doubtful debts, depreciation in assets and, contribution to staff and superannuation fund among others. RBI follows a July to June financial year.

In August 2017, RBI had paid a dividend of Rs 30,659 crore for its fiscal year ended June 2017, less than half the Rs 65,876 crore it had paid for 2015-16, mainly because of costs linked to the withdrawal of old high value notes and printing and distribution of newly-designed currency.

### **Business Line**

#### **5. Bank of Baroda posts ₹3,102-cr loss in Q4**

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#### **OUR BUREAU**

Bank plans to raise additional capital of ₹10,000 crore

Bank of Baroda posted a loss of ₹3,102 crore in the fourth quarter of FY2018. In the corresponding quarter of the preceding year, the bank had posted a profit of ₹154 crore.

The results may have disappointed analysts who had expected the bank to post a 60 per cent drop in net profit in the fourth quarter to around ₹60 crore.

Net interest income of the bank grew by 12 per cent to ₹4,002 crore in the quarter.

Gross NPAs, which were at 11.34 per cent of the total loans at the end of December 2017, rose further to 12.26 per cent or about ₹56,480 crore, again a much higher figure than expected earlier. Provisions for non-performing assets went up nearly three-fold from ₹2,425 crore in Q4 of FY17 to ₹7,052 crore in the latest quarter.

For the full fiscal 2018, the bank's losses were at ₹2,432 crore against profit of ₹1,383 crore for fiscal 2017.

The board of directors held a marathon meeting on Friday which began at 9 am and ended at 6.10 pm, a release from the bank said. The board has not recommended any dividend this year.

It has approved the raising of additional capital of ₹10,000 crore, of which, ₹6,000 crore would be through equity, while ₹4,000 crore would be through Tier-I/II instruments.

Bank of Baroda shares closed at ₹141.20 on the BSE today, up ₹2.50. Public sector banks have been posting record losses in the fourth quarter of this fiscal. Except for two lenders – Indian Bank and Vijaya Bank – 15 other public sector banks posted losses in this quarter.

The losses of public sector banks have totalled ₹53,000 crore in the fourth quarter. Punjab National Bank (PNB), the second-largest public sector bank, posted a record loss of ₹13,417 crore, while SBI, the largest bank in the country, posted a loss of ₹7,718 crore in Q4.

## **6. Corporation Bank Q4 loss at ₹ 1,838 cr**

OUR BUREAU

Corporation Bank registered a loss of ₹ 1,838.39 crore during the fourth quarter of 2017-18 as against a net profit of ₹ 159.98 crore in the corresponding period of 2016-17.

Information furnished by the bank to the stock exchanges showed the provisions for non-performing assets (NPAs) at ₹ 4,441.29 crore during Q4 of 2017-18 as against ₹ 852.97 crore during the corresponding period of the previous fiscal.

The gross and net NPAs of the bank increased to 16.21 per cent (11.70 per cent) and 11.33 per cent (8.33 per cent), respectively, during the period.

It may be mentioned here that the Reserve Bank of India had placed Corporation Bank under the prompt corrective action framework in December 2017 in view of high NPAs.

The operating profit of the bank before provisions and contingencies stood at ₹989.44 crore during the Q4 of 2017-18 as against ₹ 1054.55 crore in the corresponding period the previous year.

The net interest income of the bank stood at ₹ 1,300.72 crore during the fourth quarter of 2017-18 as against ₹ 934.37 crore in the corresponding period of 2016-17. The other income of the bank came down to ₹ 449.35 crore (₹ 892.44 crore) during the period.

On Friday, the scrip of Corporation Bank closed at ₹ 25.15 on BSE, up 0.80 per cent, against the previous close of ₹ 24.95.

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)  
GENERAL SECRETARY**