



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

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Dear Comrades,

18th September , 2018

News of Interest 18th SEP

MOTIVATIONAL QUOTES

‘COMMUNICATION - THE HUMAN CONNECTION - IS THE KEY TO PERSONAL AND CAREER SUCCESS. - PAUL J. MEYER

HIGHLIGHTS

1. BOB, DENA, VIJAYA BANK TO MERGE; PROCESS COMPLETION MAY TAKE 4-6 MONTHS
2. CBI TAKES OVER PROBE IN RS 12-BN ILLEGAL FUND TRANSFER FROM UBI IN 2016
3. RBI REJECTS MAHARASHTRA BANK REQUEST TO SET OFF RS 2,543 CR LOSSES AGAINST SHARE PREMIUM AMOUNT
4. THE GOVERNMENT LOGIC BEHIND THE PROPOSED MERGER OF THREE BANKS
5. UNIONS OPPOSE PROPOSAL TO MERGE THREE LENDERS

Business Standard

1. BoB, Dena, Vijaya Bank to merge; process completion may take 4-6 months

Amalgamated entity to be third-largest lender; govt to continue to provide capital support

Anup Roy Somesh Jha & Abhijit Lele

The central government on Monday proposed to create the country's third-largest bank by amalgamating Mumbai-based Dena Bank and Bengaluru-based Vijaya Bank with much larger Bank of Baroda (BoB) in an all-stock deal. The banks' boards are expected to meet in 10 days to take a call. The deal, though, is almost a certainty since the government is the majority owner.

"The government had announced in the Budget that consolidating banks was on our agenda and the first step has been announced," Finance Minister Arun Jaitley said. He justified the action, stating that the government and the Reserve Bank of India (RBI) were forced to take "concrete steps" once the asset quality review of banks revealed the bad debt rot in Indian banks was far deeper than what was projected earlier.

Nine bank unions said they would go on a nationwide demonstration on Tuesday and the course of action will be decided by Wednesday.

Earlier the government merged State Bank of India's associate banks with the parent, and let Life Insurance Corporation take over bad debt-ridden IDBI Bank. Unions have opposed both the moves.

Before the asset quality review of the central bank, the bad debts declared by banks were Rs 2.5 trillion. After the review, they turned out to be Rs 8.5 trillion, as banks resorted to "restructuring and ever greening of loans".

Amid the market ignoring the government's five-point agenda of stabilising the rupee, Jaitley and Financial Services Secretary Rajiv Kumar held a surprise press meet to announce the amalgamation. The finance minister said the Centre was keen on saving banks under prompt corrective action (PCA), possibly by merging them in the same manner. "One of these banks is under PCA and we want to save all such banks," Jaitley said.

"The capacity to subsume a weaker bank is a principal factor that was weighed in by the government," the finance minister said, adding the government had consulted the RBI on the matter.

Anjali Bansal, current non-executive chairman of Dena Bank, is likely to be chairman of the merged entity. Bansal is an independent director on the boards of several leading companies and prior to that she was a partner and MD at TPG Global and was founder MD at Spencer Stuart India.

Many, including the bank managements, have supported the choice of the banks being merged. "Of the 21 banks in the system, this is the best combination," said R A Sankara Narayanan, managing director and chief executive officer of Vijaya Bank.

On the sidelines of the press conference in New Delhi, BoB MD and CEO P S Jayakumar said the merger would take four-six months and the share-swap ratio would be decided soon.

He said the advantage for BoB is that the lending would diversify into retail and micro, small and medium enterprises, taking its loan book size up by 40 per cent. "We would have more branches in states where we are grossly under-represented, such as Andhra Pradesh, Kerala and Karnataka. If you ask me what would be the benefit for Vijaya Bank, BoB brings a huge foreign currency position to the table, technology is there and a lot of things we are doing in our transformational journey which can be of value to them," Jayakumar said.

The combined entity, taking their separate March quarter numbers, had assets of Rs 10.19 trillion. The top two lenders — State Bank of India and HDFC Bank — had assets of Rs 34.55 trillion and Rs 10.64 trillion,

respectively. The merged entity will be the second-largest public sector bank, trumping Punjab National Bank's asset base of Rs 7.67 trillion.

Jaitley assured no employee will face any "adverse" service conditions. He said the move was good news for the employees of Dena Bank in particular. "They will probably stand to get conditions better than they have at present," Jaitley said.

According to V G Kannan, CEO of the Indian Banks' Association, economies of scale and large players are positives for the banking system. "Three of them have the same core banking platform — Finacle of Infosys. It will make technology integration a smooth process. As for impact on employees, many are going to retire over the next few years. Fresh employee intake may slow in the integrated entity," Kannan said.

It is beneficial for the system to get larger banks but the integration will have to be "managed well to gain business benefits", said Karthik Srinivasan, group head of financial sector ratings at ICRA.

Among the three, Dena Bank is a laggard. It is under RBI's PCA framework and has a net non-performing asset (NPA) ratio of 11.04 per cent. High bad debts have eroded the capital base of the bank, with the core equity ratio (CET1) at 8.15 per cent of the risk-weighted assets. Vijaya Bank is one of the best performers among public sector banks, having a net NPA ratio of 4.10 per cent, and a CET1 of 10.35 per cent. BoB, the much larger bank, has a steady profile, a net NPA ratio at 5.40 per cent and CET1 at 9.27 per cent. The combined entity will have net NPA ratio of 5.71 per cent, and CET1 of 9.32 per cent.

The merger proposal will first need to be approved by the board of directors of the three banks. The government will then prepare an amalgamation scheme, which will need to be approved by the cabinet of ministers and the houses of parliament.

The Financial Services Secretary said: "It will be a strong competitive bank with economies of scale, network synergies, low-cost deposits and subsidiaries, and a possibility of greater outreach and expansion."

Banking sector reforms are a major plank of Prime Minister Narendra Modi's administration to revive credit growth, which has slowed to multi-decade lows. The government owns majority stakes in 21 lenders, which account for more than two-thirds of banking assets in Asia's third-biggest economy. But these banks also account for the lion's share of more than \$150 billion in sour assets plaguing the sector, and need billions of dollars in new capital in the next two years to meet global Basel III capital norms.

2. CBI takes over probe in Rs 12-bn illegal fund transfer from UBI in 2016

The money was reportedly traced to banks in Cambodia, Thailand, Taiwan and Australia from the nostro account of UBI

Press Trust of India

The CBI has taken over the investigation into alleged swindling of \$171 million (about Rs 12 billion) from the Union Bank of India by hackers in 2016, officials said Monday.

The case, which was being probed by the Mumbai Police, pertains to transfer of about Rs 12 bn from the Nostro account of the bank to various countries on July 20, 2016, they said.

During a reconciliation exercise of the Society for Worldwide Interbank Financial Telecommunication (SWIFT) messages, the bank had found that \$171 million was unaccounted for, they said.

The money was reportedly traced to banks in Cambodia, Thailand, Taiwan and Australia from the nostro account of the bank, they said.

A Nostro account refers to an account that a bank holds in a foreign currency in another bank overseas to enable foreign trade by its clients.

The transfer was done from two banks based in New York which managed Union Bank of India's Nostro accounts.

The funds were reportedly recovered through diplomatic manoeuvres, they said.

The bank in its complaint on July 21, 2016 to the Mumbai Police had pegged the amount to be \$30.01 million (Rs 2.01 billion) but the police which had registered an FIR on August 25, 2016 mentioned the amount to be \$171 million which was about Rs 12 billion by the then exchange rates.

"We find that somebody might have unauthorised accessed our computer system, extracted data and ultimately misused to cheat the bank by fraudulently and dishonestly using the unique identification features," the initial complaint from the bank on July 21, 2016 said.

It is reportedly suspected that the money was transferred through a hacking attempt using a malware attached in the mail which was opened by a bank employee, they said.

Financial Express

3. RBI rejects Maharashtra Bank request to set off Rs 2,543 cr losses against share premium amount

The Reserve Bank has rejected Bank of Maharashtra request to set off over Rs 2,543-crore losses against the balance in its share premium account

By: [PTI](#) | New Delhi

The Reserve Bank has rejected Bank of Maharashtra request to set off over Rs 2,543-crore losses against the balance in its share premium account. The Reserve Bank of India vide its letter dated September 11, 2018 has intimated about its inability to accede to the request made by the bank for setting off the accumulated losses against the balance lying in share premium account of the bank, Maharashtra Bank said in a regulatory filing Monday.

The Pune-headquartered state sector lender had got approval of board and shareholders to set off the accumulated loss of the bank as on March 31, 2018 in its annual general meeting held on June 21, subject to regulatory approvals. The bank had Rs 5,293.72 crore in its share premium account by the end of fiscal ended March 2018.

A share premium account reflects amount in a company's balance sheet accrued from additional amount paid by shareholders that is in excess of the par value of shares issued to them. The bank had wanted to utilise the available funds in the share premium account and had sought permission to set off the accumulated losses to the tune of Rs 2,543.66 crore by end-March 2018 to present a true and fair view of the financial position of the bank.

The lender wanted to take the set off to be reflected during the current financial year (2018-19) having received the necessary approvals and permissions. The bank had reported a net loss of Rs 1,119 crore in the first quarter ended June of the current fiscal. There was a net loss of Rs 412.20 crore in the same period of preceding fiscal.

In the entire 2017-18, the bank had reported a net loss of Rs 1,145.65 crore. The gross non-performing assets (NPAs) hit 21.18 per cent of gross advances by end of June 2018 at Rs 17,800.30 crore. Stock of Maharashtra Bank closed 1.04 per cent up at Rs 12.66 on BSE.

Economic Times

4. The government logic behind the proposed merger of three banks

ET Online

The government today proposed to merge three public sector banks to create the third largest lender of the country. "Alternative Mechanism under FM (Finance Minister Arun Jaitley) suggests Bank of Baroda, Vijaya Bank and Dena Bank to consider amalgamation," Rajiv Kumar, Secretary, Department of Financial Services said.

He said that the new entity is "positioned for substantial rise in customer base, market reach, operational efficiency and wider bouquet of products and services for customers."

Below is what the government proposes and hopes to achieve through this merger:

- The amalgamated bank would be the third largest bank in India.
- It will be a strong competitive bank with economies of scale.
- It will create synergies for network, low-cost deposits and subsidiaries.

The merger will lead to a substantial rise in:

1. Customer base
2. Market reach
3. Operational efficiency

4. Wider bouquet of products services for customers

- Employees interests will be protected.
- Brand equity to be preserved.
- All three banks are on Finacle CBS Platform.

- Capital support will be

Parameters	Bank of Baroda	Vijaya Bank	Dena Bank	Amalgamated Bank
Total Business (in crore Rs.)	10,29,811	2,79,674	1,72,937	14,82,422
Gross Advances (in crore Rs.)	4,48,327	1,22,348	69,917	6,40,592
Deposits (in crore Rs.)	5,81,484	1,57,326	1,03,020	8,41,830
CASA Ratio	35.52%	24.91%	39.80%	34.06%
Branches (Domestic)	5,502	2,129	1,858	9,489
Return on Assets (annualised)	0.29%	0.32%	-2.43%	-0.02%
CET-I capital ratio	9.27%	10.35%	8.15%	9.32%
CRAR capital ratio	12.13%	13.91%	10.60%	12.25%
Net NPA ratio	5.40%	4.10%	11.04%	5.71%
Employees	56,361	15,874	13,440	85,675

ensured.

Business Line

5. Unions oppose proposal to merge three lenders

OUR BUREAU

Say the amalgamation of Bank of Baroda, Dena Bank and Vijaya Bank will not solve the issue of NPAs in the banking system.

Bank unions say they will oppose the proposed amalgamation between Bank of Baroda, Dena Bank and Vijaya Bank, claiming the move is anti-people and will not help solve the bad loan problem facing the banking system.

Bad loan recovery

Given that recovery from bad loans is the need of the hour, the unions' contention is that it will take a back seat once amalgamation between the three public sector banks is initiated as their top brass will be bogged down with the administrative knitty-gritties of consolidation.

Further, since Bank of Baroda (BoB) and Dena Bank, which is under the RBI's so-called prompt corrective action framework (PCA) due to its huge bad loans and weak financial ratios, have a large network of branches in Gujarat, the fear is that there could be massive rationalisation of branches in the State.

Recalling the disastrous consequences of the first amalgamation in the public sector banking space, the leaders said when New Bank of India – which was a weak public sector bank – was merged with Punjab National Bank in the mid-80s, the latter took a long time to return to black.

The same was the case when the erstwhile Global Trust Bank (a private sector bank) was merged with Oriental Bank of Commerce (a public sector bank) in 2004.

"This (proposed amalgamation) move will not address public sector banks' present problem of non-performing assets. At a time when we need more branches and financial inclusion, the amalgamation will lead to closure of branches, which is not good for the development of the country and is anti-people," said CH Venkatachalam, General Secretary, All India Bank Employees' Association.

In this regard, Venkatachalam pointed out that State Bank of India's bad loan woes got exacerbated after it acquired five associate banks.

S Nagarajan, General Secretary, All India Bank Officers' Association said the argument that mergers will help tackle bad loans does not hold water. While it may make sense to amalgamate Vijaya Bank and Bank of Baroda as both banks have relatively strong financials, including Dena Bank in the consolidation exercise is fraught with pitfalls, he added.

A senior banker said that with the amalgamation announcement, the government may be moving a step closer to implementing the Narasimhan Committee recommendation on structural reforms.

Protest planned

All India Bank Officers' Confederation General Secretary DT Franco said bank employees and officers, under the aegis of the United Forum of Bank Unions (UFBU), the umbrella body of nine trade unions in the banking sector, will be holding demonstrations in all State Capitals on Tuesday to oppose the amalgamation move. UFBU will also take a call soon on going on strike.

With kind regards,

Yours Comradely,



(**N. GOVINDRAJULU**)
GENERAL SECRETARY