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Dear Comrades,

10th April , 2019

News of Interest 10th APR

QUOTE OF THE DAY

“RESULTS HAPPEN OVER TIME, NOT OVERNIGHT. WORK HARD,
STAY CONSISTENT, AND BE PATIENT”.

HIGHLIGHTS

1. KARNAM SEKAR TO TAKE OVER AS MD & CEO OF INDIAN OVERSEAS BANK FROM JULY 1
2. SBI BUYS LOANS WORTH RS 27,000 CR FROM NON-BANKING FINANCIAL COS IN FY19
3. SBI CUTS LENDING RATES BY 5 BPS; MOST COMPETITIVE AMONG TOP BANKS
4. CENTRE ASKS CVC FOR CLARITY OVER SUPERVISION IN PRIVATISED IDBI BANK
5. LAKSHMI VILAS BANK BOARD TO MEET ON APRIL 12 TO APPROVE FUND-RAISING PLANS

Business Standard

1. Karnam Sekar to take over as MD, CEO of Indian Overseas Bank from July 1

Murali Ramaswami, executive director at Vijay Bank, will move to Bank of Baroda

BS Reporter

The government on Tuesday said Karnam Sekar, MD and CEO of the erstwhile Dena Bank, will take over as MD and CEO of Indian Overseas Bank from July 1. His term will end in June next year. He will work as officer on special duty and whole-time director with IOB till the end of June this year.

Also, R A Sankara Narayanan, former MD and CEO of Vijaya Bank, will move to Canara Bank in the same position. His term will end in January 2020.

R K Yaduvanshi, executive director at Dena Bank, will move as executive director of Punjab National Bank. Nageshwara Rao, executive director at Vijaya Bank, will move to Syndicate Bank as officer on special duty and full-time director. Murali Ramaswami, another executive director at Vijay Bank, will move to Bank of Baroda. He will be OSD till the end of September 2019.

2. SBI buys loans worth Rs 27,000 cr from non-banking financial cos in FY19

Flush with funds, SBI in October 2018 had tripled its target to buy good quality retail asset portfolio from finance companies to Rs 450 billion from earlier target of Rs 150 billion

Abhijit Lele

State Bank of India has acquired retail loans worth Rs 27,000 crore including Rs 10,000 crore worth of micro-finance loans from non-banking finance entities in 2018-19.

India's largest lender SBI in October 2018 had indicated it would acquire up to Rs 45,000 crore from finance companies that are facing a liquidity crunch after IL&FS group entities defaulted on repayments. This provided much-needed funding support to finance companies.

P K Gupta, managing director (digital and retail banking) said the bank has sanctioned Rs 27,000 crore of loans which were to be bought from finance companies. Of this, work for over Rs 19,500 crore has already been done. The processing for over Rs 6,000 crore is underway.

These assets comprising mortgage loans and microfinance credit etc have been acquired through the direct assignment route. They would be part of the loans book, unlike securitization where banks invest in the pass through certificates for underlying loans.

SBI got an opportunity to expand its loan book by purchasing good quality portfolio assets at attractive rates.

The yield on loan portfolio ranges between 8.75 per cent to 10.5 per cent depending on the profile of the asset pool and competition, SBI executives said.

The loan purchase was for expanding the book but not at the cost of the growing balance sheet organically through branch network, SBI chairman Rajnish Kumar had said.

The credit to deposit ratio of SBI stood at around 68.67 per cent at end of December 2018. Gross Advances at the Whole Bank level registered a growth of 11.99 per cent from Rs 19.24 trillion as on December 2017 to Rs 21.55 trillion as on December 2018.

Bank deposits increased 6.76 per cent from Rs 26.51 trillion in December 2017 to Rs 28.30 trillion in December 2018.

Financial Express

3. SBI cuts lending rates by 5 bps; most competitive among top banks

By: [FE Bureau](#)

SBI cut its MCLR rates for the overnight, one-month, three-month, six-month and one-year tenors by 5 basis points (bps) to 8.15%, 8.15%, 8.20%, 8.35% and 8.50%, respectively. According to the bank, lending rates on loans linked to the MCLR will be cut by 5 bps.

State Bank of India (SBI), the country's largest lender, on Tuesday cut the marginal cost of funds-based lending rate (MCLR) across tenors by 5 basis points (bps), pegging the one-year MCLR at 8.50%. This makes it the most competitive among the top-tier lenders since HDFC Bank's one-year MCLR is 8.7%, while for ICICI Bank it is slightly higher at 8.75%. Mid-sized public-sector lender Indian Overseas Bank (IOB) also cut its lending rates by 5 bps across tenors on Tuesday, the one-year MCLR being 8.65%.

The country's largest lender also sought to make its home loan product more attractive, trimming the interest rates on home loans for an amount of up to Rs 30 lakh between 8.6% and 8.9%. Earlier in February, SBI had cut home loan rates by 5 bps for loans up to Rs 30 lakh. ICICI Bank offers home loan 9.05 –10.25% for up to Rs 30 lakh.

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India's largest private sector lender, HDFC Bank, cut its lending rates by 5-10 bps on April 8, with the one-year MCLR at 8.7%. Other lenders such as ICICI Bank, Punjab National Bank (PNB) and IDBI Bank also cut MCLR rates by 5 bps, 10 bps and 5 bps, respectively, in March to 8.75%, 8.45% and 9.05%.

Although the Reserve Bank of India (RBI) cut the repo rate by 25 basis points (bps) to 6% first in February and then in April, banks have been reluctant to drop loan rates. That's because deposits have been growing at a somewhat slow pace —sub 10% — and lenders are unwilling to lower interest rates on deposits. Rajnish Kumar, chairman, SBI, had recently observed that banks losing savings to the mutual funds was a matter of concern. Kumar had expressed concern at the fact that term deposits were not growing as fast as lenders would like.

Banks have also been apprehensive of the RBI's proposal to change the way banks price their loans.

The central bank wants lenders to link loan rates to an external benchmark rate like the repo rate or the 91-day or 182-day treasury bill. "The challenge for the banks, not just for us but all the banks, will be how closely correlated the benchmark will be with our actual funding cost. The good thing is that we have to do it on the mortgage portfolio and the MSME portfolio to start with," said ICICI Bank CFO Rakesh Jha.

Bank credit in India is expected to grow at 13-14% on average between FY19 and FY20, significantly faster compared with the 8% in FY18, which

would force a change in the deposit mobilisation plans of banks over the medium term, said experts at CRISIL Ratings. To meet this credit growth, banks will have to raise about Rs 25 lakh crore over the two fiscals, observed experts.

Economic Times

4. Centre asks CVC for clarity over supervision in privatised IDBI bank

In January, the Reserve bank of India had classified IDBI Bank as a private sector lender

By Dheeraj Tiwari, ET Bureau|

The government has asked the Central Vigilance Commission if it still has vigilance jurisdiction on the now privatised IDBI Bank, and sought its advice on the course of action in case of ongoing complaints or investigations, a government official said.

In January, the Reserve bank of India had classified IDBI Bank as a private sector lender after state-run Life Insurance Corporation (LIC) acquired 51% stake by infusing around Rs 20,800 crore capital.

"Since the lender is now owned by a state run financial institution we need to have clarity if we still can take up vigilance issues in the bank," the official said.

Another government official confirmed that the finance ministry has sought the CVC's views and will proceed as advised.

In 2017, the Central Bureau of Investigation (CBI) had arrested former IDBI chairman Yogesh Agarwal and three other ex-officials in connection with the Kingfisher Airlines loan default case. They were accused of sanctioning loans worth over Rs 1,000 crore to the now-defunct airline despite its weak financial record.

Agarwal and the other officials were later released on bail. In August last year, the Union cabinet had approved the acquisition of controlling stake by Life Insurance Corporation (LIC) as a promoter in the bank through a combination of preferential allotment and open offer of equity.

LIC now holds 51% stake in the bank, while government share has come down to 46.46%.

A senior bank executive said the government doesn't have any vigilance jurisdiction on the lender as it ceased to be a majority holder. "They have a board representative and that is it," he said. "Any such vigilance related issues now need to be dealt internally or with the banking sector regulator, RBI."

LIC will also need to bring down its stake in the bank as per insurance regulatory requirements and hence there is no case for government to take up vigilance issues, the bank official said.

The Insurance Regulatory Development Authority of India (IRDAI) has asked LIC to submit a proposal for bringing down its stake in IDBI Bank to below

51%. The banking sector regulator RBI also has set an upper ceiling of 15% for promoter stake in a private sector bank.

Business Line

5. Lakshmi Vilas Bank board to meet on April 12 to approve fund-raising plans

[Our Bureau](#)

The Tamil Nadu-based lender had, last week, announced plans to merge with Indiabulls Housing Finance through a share swap deal

The board of private sector lender Lakshmi Vilas Bank will meet on April 12 to approve fund-raising plans as well as to prop up its Additional Tier I capital.

"The board of directors of the bank is scheduled to meet on April 12 to approve the issuance and allotment of equity shares, including by way of a preferential allotment," the lender said in a regulatory filing.

It is also considering raising capital through issuance and allotment of Basel III-compliant Additional Tier-1 debt instruments in the nature of bonds, the bank further said.

Merger with Indiabulls

The Tamil Nadu-based lender had, last week, announced plans to merge with Indiabulls Housing Finance through a share swap deal, in a move that is widely perceived to help improve its financial health.

In March, the lender had also raised Rs.459.59 crore through a QIP to bolster its capital adequacy.

On Tuesday, the bank's scrip fell 4.98 per cent to close at Rs.92.50 apiece on the BSE, erasing gains made on Monday following news of the proposed merger.

With kind regards,

Yours Comradely,



(**N. GOVINDRAJULU**)
GENERAL SECRETARY