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BoI shares spurt as Q2 net profit more than doubles

OUR BUREAUS COIMBATORE/MUMBAI, OCT 31:

Vijayalakshmi R. Iyer, CMD, Bank of India.

Bank of India's net profit doubles to Rs 622 crore in the July to September quarter, 2013, driven by lower bad loans and improved margins and interest income.

The public sector bank's net profit was at Rs 302 crore in the year-ago period.

Net interest income (difference between interest earned and expended) grew 15 per cent to Rs 2,527 crore from Rs 2,196 crore. Non-interest income rose 23 per cent to Rs 1,100 crore during the quarter from Rs 894 crore in the second quarter last year.

Shares jump 20%

The shares of Bank of India soared over 20 per cent to close at Rs 209.90 per share on the Bombay Stock Exchange.

The bank absorbed treasury losses worth Rs 646 crore during the quarter providing two-third upfront on the losses.

Total advances jumped 29 per cent to Rs 3.37 lakh crore as on September 30, 2013, from Rs 2.60 lakh crore, while total deposits increased 30 per cent to Rs 4.32 lakh crore from Rs 3.33 lakh crore as on September last year.

Healthy recoveries

Healthy recoveries and lower bad loans helped gross non-performing asset (NPA) ratio improve to 2.93 per cent in September quarter from 3.42 per cent in September end, 2012. Net NPA ratio also was up at 1.85 per cent as on September end, 2013 from 2.04 per cent in September quarter last year.

"Good rated public sector credit boosted our advances and recoveries," said V.R. Iyer, Chairperson and Managing Director, Bank of India.

During the quarter, net interest margin also increased to 2.39 per cent from 2.35 per cent.

EPS nearly doubled to Rs 10.43 from Rs 5.26. The operating profit was up 13.43 per cent.

Allahabad Bank net profit climbs 18% to Rs 276 cr

ABHISHEK LAW KOLKATA, OCT 31:

Kolkata-based Allahabad Bank has reported a 17.77 per cent growth in net profit at Rs 276 crore for the quarter ended September 30, 2013.

The bank's total business stood at Rs 3,14,262 crore, a growth of approximately 15 per cent, over Rs 2,74,116 crore it reported in the corresponding quarter last fiscal.

According to Subhalakshmi Panse, CMD, Allahabad Bank, the Centre has decided to opt for a capital infusion of Rs 400 crore in the bank.

The bank would also opt for Qualified Institutional Placement (QIP) to the tune of Rs 330 crore. Depending on market conditions, QIPs could either be by the end of this fiscal or in 2014-15.

Bank of Baroda net dips 10% on bad-loan provisioning

OUR BUREAU MUMBAI, OCT 31:

More money set aside towards bad loans and higher operating expenses weighed on Bank of Baroda's bottom line in the July-September 2013 quarter.

The public sector bank reported a 10 per cent drop in net profit at Rs 1,168 crore in the reporting period against Rs 1,301 crore in the year ago period.

Growth in net interest income (the difference between interest earned and expended) was almost flat at Rs 2,895 crore (Rs 2,862 crore in the year ago period).

The bank set aside Rs 838 crore (Rs 725 crore) towards bad loans. Further, it set aside more (Rs 89 crore vs Rs 41 crore in the year-ago period) by way of provision for standard advances.

Operating expenses, including employee costs, rose 33 per cent at Rs 1,744 crore (Rs 1,308 crore).

During the quarter, bad loans (in gross terms) increased by Rs 1,125 crore to Rs 10,888 crore as on September-end 2013.

Restructured loans increased by Rs 1,485 crore in the reporting quarter to Rs 22,155 crore.

According to BoB Chairman and Managing Director S.S. Mundra, while accretion to the bad loans portfolio is gradually slowing, there is no let up in enterprises seeking loan restructuring.

Given the challenging economic environment, he expects more borrowers to seek loan restructuring in the next two quarters. "(Loan) Restructuring is still a fact of life….," he said.

So far, 13-14 per cent of the restructured loans have turned non-performing. But going forward, this quantum could go up to 17-18 per cent, said Mundra.

In the reporting quarter, the bank's net interest income (net interest income divided by average interest bearing assets) or NIM edged lower to 2.32 per cent against 2.71 per cent in the year-ago period.

FIVE PRINCIPLES

Mundra said the bank's business focus will continue to be guided by five principles – retail focus, margin protection, adequate provisioning, improvement in asset quality, and capacity building.

Rupa Rege Nitsure, Chief Economist, BoB said, her bank would like to avoid aggression as the economy is still in the recovery mode.

But it will still grow a tad higher than the industry average to maintain its market share.

The bank will improve its NIM to 3 per cent through realignment in the loan book (giving more loans to the retail and micro, small and medium enterprise segments) and increase low-cost current and savings bank deposits.

Mundra said BoB will maintain status quo on deposit and lending rates.

Shares of BoB closed 10.76 per cent up at Rs 643.20 per share on the BSE.

Union Bank Q2 net profit dives 62%

OUR BUREAU MUMBAI, OCT 31:

Union Bank of India's second quarter net profit more than halved as it made higher provisions to hedge against the rising non-performing assets.

In the July to September quarter, the bank made a net profit of Rs 208 crore against a net profit of Rs 555 crore, a year ago.

The Mumbai-based bank's provisions increased 92 per cent to Rs 937 crore (Rs 487 crore).

Net interest income, the difference between interest earned and expended, increased 5.62 per cent to Rs 1,954 crore during the quarter.

D. Sarkar, Chairman, Union Bank of India, said the bank had to provide more as slippages increased from the corporate segment. He said that about six to seven corporates have been unable to service their loans as they have been stung by project delays, environmental clearances, among other things.

The bank had Rs 10,937 crore as outstanding restructured loans as on September 30, 2013. Sarkar said that as more banks in loan consortiums agree to restructure more accounts, Union Bank will restructure loans worth Rs 3,800-4,000 crore in the remaining part of the year.

Sarkar, while cautioning that the industry is still suffering, said the bank will maintain its gross non-performing asset levels at 3.5 per cent of total advances for rest of the year. In the reporting quarter, the public sector bank posted a gross NPA level of 3.64 per cent.

The bank expects that it will maintain a net interest margin of 2.6 per cent for the reminder of the year.

Shares of the bank closed at Rs 123.50, up 7.39 per cent on the Bombay Stock Exchange.

Bank of Maharashtra Q2 profit declines 72%

OUR BUREAU PUNE, OCT. 30:

Pune-based Bank of Maharashtra posted a net profit of Rs 46.85 crore during the second quarter of the current fiscal against Rs 166 crore in the same quarter of last fiscal, a decline of 72 per cent year on year.

Total income stood at Rs 3,196 crore (Rs 2,434 crore), a growth of 31 per cent year on year.

Wholesale and corporate banking operations accounted for the maximum growth in the income as well as for a loss of Rs 46 crore (gross) impacting the bottom line adversely. In the same quarter of FY 13, this segment had shown profit of Rs 39 crore.

The bank's gross NPAs rose to Rs 2,450.48 crore from Rs 1,292.45 crore. Net NPA stood at Rs 1,535.33 crore.

LIC gets its first woman MD

Usha Sangwan appointed MD, along with V K Sharma

Life Insurance Corporation of India (LIC) on Friday got its first female managing director (MD) and another new MD.

The government has appointed Usha Sangwan, executive director (corporate communication) at LIC and V K Sharma, MD and chief executive officer of LIC Housing Finance, as the two new MDs.

With these two appointments, LIC is set to function at its full strength of four MDs after almost two years. These would be S B Mainak, Sushobhan Sarkar, Sangwan and Sharma.

According to finance ministry sources, the two new MDs have been appointed till they retire from the corporation.

According to the norms, LIC can have four MDs, and a chairman, as part of its top management.

After former managing director T S Vijayan retired in November 2012, there were only two MDs — Sarkar and Thomas Mathew T.

When former chairman D K Mehrotra retired in May, Mathew took over as in-charge chairman, before retiring at the end of June. Later, following Mathew's retirement, Roy, who was elevated as an MD in May, was appointed chairman. Then, Sarkar was left as the only MD.

To fill this void, in July, Mainak (executive director-investments) was appointed MD.

In April, the government had interviewed five candidates for the post of LIC chairman. They were Sarkar, Sharma and three executive directors — Mainak, Roy and Sangwan.

As Roy holds the chairman's post, the other four would be MDs.

LIC is India's largest insurer, with 83 per cent market share in terms of the number of policies, and 71 per cent in premium.

During 2012-13, the insurer collected new business premium of Rs 76,245.63 crore.

New Chairman for National Payments Corp

OUR BUREAU CHENNAI, NOV. 1:

M. Balachandran has been appointed chairman of National Payments Corporation of India (NPCI), taking over the reins from Infosys' N. R. Narayana Murthy, who had resigned on July 25.

Balachandran, who was serving as the Reserve Bank of India nominee on the board of NPCI, had taken over as the Non-Executive Chairman on September 23.

Before his appointment as the RBI nominee , Balachandran had worked in Bank of Baroda for over 33 years in different capacities, both in India and abroad, finally serving as the Chief Executive of the bank's American operations in New York. Thereafter, he headed Bank of India, retiring as its Chairman and Managing Director in 2007. Subsequently, he took charge as Director of the Institute of Banking Personnel Selection and retired in June 2012.

Govt banks on interim dividend in February-March

K. RAM KUMAR MUMBAI, NOV.1:

Payout by public sector banks to keep fiscal deficit in check

The Government's coffers could be bolstered in February-March 2014 as public sector banks are likely to declare interim dividend along with the announcement of their third quarter results.

The possibility of paying interim dividend was discussed at a recent meeting of top bankers with Finance Ministry officials.

The Ministry also wants public sector banks to ensure that the dividend payable to the Government in fiscal 2013-14 is not lower than the Rs 6,803-crore paid in 2012-13 (Rs 5,666 crore was paid in 2011-12).

With the fiscal deficit already touching 76 per cent of the full-year target (of Rs 5,42,499 crore) in the first six months of the current financial year, the dividend declared by these banks could, to an extent, help narrow the gap between the Government's revenue and expenditure.

The Budget for 2013-14 pegged the fiscal deficit for the current year at 4.8 per cent of GDP against 4.9 per cent in the last financial year.

The Reserve Bank of India has cautioned that containing the fiscal deficit in 2013-14 within the budgetary limit could be a challenge for the Government, given the level of gross fiscal deficit in the current financial year so far.

According to an analyst with a brokerage firm, with the Government determined to contain fiscal deficit within the target, banks may front load dividend payment by declaring interim dividend along with their third quarter financial results.

"Possibly, 90 per cent of the dividend payable for the current financial year could be paid in February-March period, with the balance being paid after the declaration of the fourth quarter (January-March) financial results," he said.

Further, public sector undertakings which do not have any major capital expenditure at hand could also declare interim dividend after the announcement of their third quarter results.

There are 21 public sector banks in the country and the Government owns majority stake in them. According to statute, Government stake in these banks cannot fall below 51 per cent.

Italian banks' cut plans too modest despite strike call

November 04, 2013 BUSINESS RECORDER **Pakistan's Premier Financial Daily**

With Italy mired in its longest recession since the Second World War, the country's hard-pressed banks are cutting jobs, closing branches and infuriating unions, but the cuts are far too modest to achieve the profitability gains they need. So far, lenders including Banca Monte dei Paschi di Siena , IntesaSanpaolo and UBI Banca have announced that they will close or merge nearly 3,000 branches and cull 19,000 jobs by 2015, prompting unions to call on Thursday the first national bank strike in 13 years.

But the cuts represent a retrenchment of less than 10 percent in the branch network and roughly 6 percent of staff numbers based on employment levels at the end of 2011, small change in a sector offering some of the weakest investor returns in European banking.

"To regain a satisfactory profitability, the Italian banking system should cut its branch network by at least 30 percent and rationalise costs, personnel and size at remaining offices," said Roberta Berlinghieri, a partner at Bain & Company in Italy.

Even with the current plans, Italy's operating costs are too much of a burden in a sector that barely offered any return on equity last year, analysts said, compared with a 7.97 percent return for the top 30 European banks in the first half of this year, according to figures compiled by Reuters.

With banks under pressure to shore up their balance sheets in the face of rising bad debts and Europe-wide stress tests next year, the country's central bank this week called for more action on costs.

"In order to regain profitability in the short-term, banks must decisively act on costs, including labour costs that currently represent more than half of overall costs," Bank of Italy governor Ignazio Visco said this week.

"The traditional retail network must be rethought, with a focus on the offering of more complex products."

Italian lenders, which largely avoided the risky bets that led to the subprime debt crisis of 2007-2008, blame the current domestic economic crisis for their woes.

Mobilise and join march to Parliament on
11th December, 2013 by AIBEA against Banking Reforms
and on
12th December, 2013
against neo-liberal economic and
anti-labour policies of the Government

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