Federation Of Bank Of India Staff Unions
(Reg. Number 9385)
Regd. Office : C/o. Bank of India Bldg., Mahatma Gandhi Road, Fort, Mumbai - 400 023.
Office of the General Secretary : C/o Bank Of India, Bokaro Steel City Branch, E - 17, City Center, Bokaro Steel City, Jharkhand - 827 004. Cell No. : +919431120487
Email : fedgensec@gmail.com

Date: 16. 09. 2020

The Managing Director & CEO
Bank of India
Head Office
Star House
BKC- Mumbai.

Re: EXTRA ORDINARY GENERAL MEETING

Respected Sir,

We have come to know that Extra Ordinary General Meeting (EGM) of shareholders is convened on 19th September, 2020 through Video Conferencing (VD)/ other Audio Visual Means (OAVM) to seek shareholders' permission for appropriation of accumulated losses of Rs, 23,782.39 crore from the share premium account of the bank which has a balance of Rs. 35, 331.77 crore. It is further learnt that the bank is to seek permission of shareholders to issue fresh equity shares up to an amount of Rs. 8000 crore and also issue perpetual debt instruments (including non-convertible debentures (NCDs) for an amount not exceeding Rs.8000 crore.

We, being a recognised and representative body of Award Staff in the bank, express our reservations against transfer of money lying in share capital account to set off accumulated business losses. The action of transferring funds from share premium account may be technically and legally sustainable. Ordinary business prudence demand bolstering of reserves. The decision according to us, tantamount to "unsound business prudence". There is a moral hazard in the bank using a book entry to clean the balance sheet that absolves the management from taking effective steps to recover bad loans. It, in our opinion, is a route to clean up books of the bank before scouting for the suitors.

You are aware that the employees of the bank had voluntarily subscribed to the primary issue of shares on two previous occasions at heavy premium. On both the occasions, the employees borrowed funds from the bank and paid interest thereon. The loan taken by the employees on the last occasion is still carrying interest and is still unpaid or partly paid. The employees, unlike other shareholders who were obviously interested in making quick profit and exiting from the option, had the sole motivation on both the occasions was to see our bank on a path of glory. The employees invested in shares out of loyalty and love for the bank. Most of them stayed invested despite ups and downs in business financials of the bank. It pains us to note that accumulated business losses are sought to be partly funded by the premium paid by the employees on shares. In all fairness, the employees should have been compensated by offering bonus shares.

Secondly, we are of the opinion that this extra-ordinary measure is being taken in a hurry to facilitate further issue of equity shares to reduce the government's shareholding in capital structure of the bank. This measure, in our considered opinion, is a prelude to privatise our bank. When we look at the annual report of financial year ending 31st March 2020, we find that capital adequacy stands at 13.10% as against regulatory requirement of 10.875%. The desirability of dropping the idea of issue of shares to raise capital up to Rs.8000 crore can be seen in the table below showing capital components:

Capital Adequacy	Norms 2020	Actual 31.03.2020	Actual 30.06.2020
Common Equity Tier 1	5.5%		
Common Equity Buffering	2.5%		
CET I	**8.0%**	**9.88%**	**9.46%**
Additional Tier I capital	1.5%	0.02%	0.02%
Total Tier I Capital	**9.5%**	**9.90%**	**9.48%**
Tier II capital	2.0%	3.20%	3.28%
Total Capital Adequacy	**11.5%**	**13.10%**	**12.76%**

The above table clearly shows that CET I being at 9.46% as on 30 June 2020 is much higher than the required 8%. Even the overall capital adequacy is higher at 12.76% compared to 11.5% required. **There is a shortfall in Additional Tier I capital which can be brough in by the proposed issue of perpetual bonds up to Rs 8000 crores.**

In view of the above, there is no justification for the proposed issue of Rs 8000 crores of equity for bolstering the capital adequacy unless the bank management fears a major spike in NPA during the year 2020-21. Moreover, the bank is expected to make profit in FY 2020-21 for the reason of the business initiatives (including stepping up of efforts for recovery) already taken to improve business financials of the bank. From the above, it can clearly be seen that the objective of the equity issue is only to dilute the equity stake of the government and to bring private investors for other considerations which we vehemently oppose.

Under the circumstances the best course of action will be to issue only bonds up to Rs 8000 crores.

We request your good selves to consider these points seriously and defer the issue of equity shares as the funds of Rs 8000 crores to be raised by perpetual bonds would be adequate for the business requirements of the bank for the current year.

With Kind Regards,

Yours faithfully,

(Dinesh Jha "Lallan")
General Secretary