

RECKONER FOR CATEGORISATION OF ADVANCES INTO STANDARD/SUBSTANDARD/DOUBTFUL/LOSS ASSETS AS AT 31.3.2008

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PERFORMING NON PERFORMING

STANDARD ASSET(Not defined by RBI)	SUB-STANDARD(NPA for upto12 months)	DOUBTFUL ASSET *	LOSS ASSET *
<ul style="list-style-type: none"> - It is not NPA with no arrears of amounts due and will include: - finance for industrial projects/ agriculture within the moratorium period of interest. - unremitted export proceeds held up abroad for a period of one year, where there are restrictions by the foreign country to repatriate. - additional Credit facilities in rehabilitation packages approved by BIFR/term lending Institution for a period of one year. - fully secured principal where the instalments or interest are rescheduled before, as well as after commencement of commercial production but before the asset is classified as sub-standard. (the element of sacrifice having been written off/provided) - upgraded restructured/ rescheduled advances with record of satisfactory performance after the specified period after one year of the date of the first payment of principal/interest. - additional credit facilities pursuant to rehabilitation/nursing program/ package finalized for BIFR cases and sick SSI units, in consortium with other banks - Standard asset taken over in Take-out Finance arrangements. 	<p>Accounts, where the current net worth of the borrower/guarantor or the current market value of the security is not sufficient to ensure full recovery; and accounts identified as having well defined weaknesses that jeopardize the liquidation of the advance, and characterized by the distinct possibility of some loss, unless deficiencies are corrected.</p> <p>These include:</p> <ul style="list-style-type: none"> - all existing accounts under this category for a total duration of 12# months since their identification, and fresh accounts identified during the year. - advances, otherwise satisfactory, but are NPA due to non monetary defaults where the regular/ adhoc credit limits facilities are not reviewed/renewed for 180 days from the due date/date of ad hoc sanction; or where stock statements are not received for 90 days after the account became irregular (i.e. where advances are continued based on stock statements that are older than 3 months from the due date) <p># (period of 18 months is reduced to 12 months with effect from 31.3.2005)</p>	<p>All existing accounts in sub standard category for more than 12 months and new accounts transferred to this category, and those which, due to inherent weaknesses can be straight away classified as doubtful</p> <p>(Less: those which are loss assets)</p> <p>As regards the erosion in the value of the security realizable as would determine the status of the asset as a doubtful asset i.e.,where there is significant erosion in the value of the security (irrespective of the advance), and the same is less than 50% of the value as assessed or accepted by the Bank or by RBI as per the latest inspection, the same would be a doubtful asset.</p> <p>Unless the classification status is reversed due to remedying of the defaults, provisions get accelerated with passage of time ; and besides 100% provision for the unsecured portion, provision in respect of the secured portion is 20% (for up to 1 year), 30% in the period of 2-3 years) and 100% above 3 years' retention, akin to its being treated as a loss asset.</p> <p>[Note: Date of identification of Advance as NPA is also very relevant, and cannot be changed so that the period of retention thereof as doubtful asset, is correctly considered]</p>	<p>A Loss Asset is one where the outstanding is considered uncollectable / unrealisable or where the salvage value of security is negligible (say less than 10% of the outstanding advance).</p> <p>As regards the erosion in the value of the security realizable, if less than 10% of the outstanding in the account as would determine the status of the asset as a loss asset; as also in cases of frauds by borrowers, causing serious impairment to the asset .</p> <p>These assets, unless written off, need to be provided for @ 100%.</p> <p>Unless reversal of its classification status takes place, a borrower is to be classified as Loss asset with efflux of time , where the advance is retained in the doubtful classification for over 36 months</p>

BANK BRANCH AUDIT (2007-2008)

STANDARD ASSET(Not defined by RBI)	SUB-STANDARD(NPA for upto12 months)	DOUBTFUL ASSET *	LOSS ASSET *
<ul style="list-style-type: none"> - amount received under the guarantee-cum-refinance programme of EXIM Bank to exporters in default. - there are no non monetary defaults including reviews/ renewals of limits and receipt of stock statements on time. 			
<p>I. TERM LOANS</p> <ul style="list-style-type: none"> - Performing advances where the interest/ installments of principal due and including up to 31-12-2007 have been recovered. - rescheduled term loans and fresh short term agricultural loans in areas notified as affected by natural calamities, as a relief measure, if within the revised period and without default thereafter. - NPAs purchased from another bank, for the initial period of 90 days; and such status to be continued only if there are recoveries with reference to the cash flows estimated at the time of purchase 	<p>I. TERM LOANS</p> <p>a) Where the account has gone into default and is overdue as regards:</p> <ul style="list-style-type: none"> - principal (installments) for over 90 days during the year and the default is not cured up to 31-3-2007; and /or - servicing of interest for the period of 90 days after it became due from the end of any quarter <p>b) Loans restructured when these were in sub standard category</p> <p>c) NPAs purchased from another bank, if not with satisfactory performance will be NPA, if sub standard in the selling bank's books</p>	<p>I. TERM LOANS</p> <p>If the borrower has remained in the sub-standard category for a period exceeding 12 months, unless due to erosion in the value of the security, the asset is a loss asset.</p> <p>NPAs purchased from another bank, if not with satisfactory performance will be NPA, if doubtful in the selling bank's books</p>	<p>I. TERM LOANS</p> <p>Where the asset is considered as a loss asset by virtue of any other facility being a loss category.</p>
<p>II. CASH CREDIT/OVERDRAFT</p> <p>III.LOANS REPAYABLE ON DEMAND</p> <p>The outstanding balance does not remain continuously in excess of the sanctioned limit/Drawing Power for a period of more than 90 days; and the credits in the account are enough to cover the interest debits during the same period.</p>	<p>II. CASH CREDIT/OVERDRAFT</p> <p>III.LOANS REPAYABLE ON DEMAND</p> <p>Where the account is out of order for over 90 days i.e.</p> <p>a) In case where the outstanding continuously exceeds limit/DP; or</p> <p>b) Where the outstanding is less than limit/ drawing power</p>	<p>II. CASH CREDIT/OVERDRAFT</p> <p>III.LOANS REPAYABLE ON DEMAND</p> <p>If the asset has remained in the sub-standard category for a period exceeding 12 months.</p> <p>IV. BILLS PURCHASED/ DISCOUNTED</p>	<p>II. CASH CREDIT/OVERDRAFT</p> <p>III.LOANS REPAYABLE ON DEMAND</p> <p>Where the outstanding is considered uncollectable/ unrealisable or where the value of security is negligible (say less than 10% of the outstanding advance).</p> <p>Refer Para 4.2.8(ii) as regards the erosion in the value of the security</p>

STANDARD ASSET(Not defined by RBI)	SUB-STANDARD(NPA for upto12 months)	DOUBTFUL ASSET *	LOSS ASSET *
	i) if there are no credits continuously for more than 90 days as at 31.3.2007 or ii) if the credits from 1-10-.2006 to 31.12.2006 are not adequate to cover interest debited for the same period.		realizable (including in cases of frauds) as would determine the status of the asset as a loss asset.
IV.BILLS PURCHASED/DISCOUNTED If the bill is not overdue Or If the bill is overdue after 30-12-2006.	IV. BILLS PURCHASED AND DISCOUNTED If the bill has remained overdue for a period of more than 90 days i.e. overdue prior to 31-12-2006.	If the asset has remained in Sub-std. Category for a period exceeding 12 months.	IV. BILLS PURCHASED/DISCOUNTED Where the outstanding is considered uncollectable/unrealisable or where the value of security is negligible (say less than 10% of the outstanding advance).

Notes: 1. Classification is of the Borrower, and the most adverse category into which any credit facility falls, shall determine the status of the borrower, irrespective of the branch at which the accounts are maintained.

Identification of NPAs must be on the basis of an ongoing exercise, so that at the end of each quarter, provisions are properly considered.

It is imperative that the precise date when any account/facility of the borrower becomes NPA for the first time is determined so that the period for which it should normally remain in each NPA category is kept in view.

- 2 *Classification of advance to "Doubtful" or "Loss" category may get accelerated in time where there is serious impairment, and erosion in the value of realisable security is significant, i.e to Doubtful category, if erosion is more than 50% and "Loss" category, if erosion is more than 90%, based on valuation as assessed by bank/valuers/RBI.
3. Advances comprising Term Deposits, NSCs eligible for surrender, IVPs, KVPs, Life policies etc. would also require classification for provisioning.
4. As per guidelines purchase/sale of Assets in NPA classification can be made (individually or as a pool of accounts), if such assets have remained in that(NPA) classification for at least two years in the books of the selling bank; and there is a laid down Board Policy for the transaction being **(without recourse)** and not on the basis of a contingent price or subsequent liability devolving on the selling bank).