

Annexure – IV

**GUIDELINES IN THE MATTER OF CLASSIFICATION
AND PROVISIONING FOR ASSETS (REGULATION R-8)**

All Financing Facilities (including short, medium and long term)

CLASSIFICATION (1)	DETERMINANT (2)	TREATMENT OF INCOME (3)	PROVISIONS TO BE MADE (4)
1. Substandard	Where mark-up/ interest or principal is overdue by 90 days or more from the due date.	Unrealized mark- up/interest to be kept in Memorandum Account and not to be credited to Income Account except when realized in cash. Unrealized mark up/interest already taken to income account to be reversed and kept in Memorandum Account.	Provision of 25% of the difference resulting from the outstanding balance of principal less the amount of liquid assets realizable without recourse to a Court of Law and adjusted forced sale value of mortgaged/ pledged assets (subject to Note 1 below) as valued by valuers fulfilling prescribed eligibility criteria, in accordance with the guidelines provided in this regulation.
2. Doubtful	Where mark-up/ interest or principal is overdue by 180 days or more from the due date.	As above.	Provision of 50% of the difference resulting from the outstanding balance of principal less the amount of liquid assets realizable without recourse to a Court of Law and adjusted forced sale value of mortgaged/ pledged assets (subject to Note 1 below) as valued by valuers fulfilling prescribed eligibility criteria, in accordance with the guidelines provided in this regulation.
3. Loss	(a) Where mark-up/ interest or principal is overdue by one year or more from the due date	As above.	Provision of 100% of the difference resulting from the outstanding balance of principal less the amount of liquid assets realizable without recourse to a Court of Law and adjusted forced sale value of mortgaged/ pledged assets(subject to Note 1 below) as valued by valuers fulfilling prescribed eligibility criteria, in accordance with the guidelines provided in this regulation.
	(b) Where Trade Bills (Import/Export or Inland Bills) are not paid/adjusted within 180 days of the due date.	As above	As above.

Note 1 : The benefit of FSV is allowed against NPLs of over Rs5 million only and from December 31, 2006 against NPLs of over Rs10 million only.

Note 2 : Classified loans / advances that have been guaranteed by the Government would not require provisioning, however, mark up / interest on such accounts to be taken to Memorandum Account instead of Income Account.

**GUIDELINES IN THE MATTER OF CLASSIFICATION
AND PROVISIONING FOR ASSETS (REGULATION R-11)**

All Financing Facilities (including short, medium and long term)

CLASSIFICATION (1)	DETERMINANT (2)	TREATMENT OF INCOME (3)	PROVISIONS TO BE MADE (4)
1. Substandard	Where mark-up/ interest or principal is overdue by 90 days or more from the due date.	Unrealized mark- up/interest to be kept in Memorandum Account and not to be credited to Income Account except when realized in cash. Unrealized mark up/interest already taken to income account to be reversed and kept in Memorandum Account.	Provision of 25% of the difference resulting from the outstanding balance of principal less the amount of liquid assets realizable without recourse to a Court of Law and adjusted forced sale value of mortgaged/ pledged assets (subject to Note 1 below) as valued by valuers fulfilling prescribed eligibility criteria, in accordance with the guidelines provided in this regulation.
2. Doubtful	Where mark-up/ interest or principal is overdue by 180 days or more from the due date.	As above.	Provision of 50% of the difference resulting from the outstanding balance of principal less the amount of liquid assets realizable without recourse to a Court of Law and adjusted forced sale value of mortgaged/ pledged assets (subject to Note 1 below) as valued by valuers fulfilling prescribed eligibility criteria, in accordance with the guidelines provided in this regulation.
3. Loss	(a) Where mark-up/ interest or principal is overdue by one year or more from the due date	As above.	Provision of 100% of the difference resulting from the outstanding balance of principal less the amount of liquid assets realizable without recourse to a Court of Law and adjusted forced sale value of mortgaged/ pledged assets (subject to Note 1 below) as valued by valuers fulfilling prescribed eligibility criteria, in accordance with the guidelines provided in this regulation.
	(b) Where Trade Bills (Import/Export or Inland Bills) are not paid/adjusted within 180 days of the due date.	As above	As above.

Note 1 : The benefit of FSV is allowed against NPLs of over Rs5 million only and from December 31, 2006 against NPLs of over Rs10 million only.

Note 2 : Classified loans / advances that have been guaranteed by the Government would not require provisioning, however, mark up / interest on such accounts to be taken to Memorandum Account instead of Income Account.

REGULATION R-14

The auto loans shall be classified and provided for in the following manner:

CLASSIFICATION	DETERMINANT	TREATMENT OF INCOME	PROVISIONS TO BE MADE*
(1)	(2)	(3)	(4)
1. Substandard	Where mark-up/ interest or principal is overdue by 90 days or more from the due date.	Unrealized mark-up/interest to be kept in Memorandum Account and not to be credited to Income Account except when realized in cash. Unrealized mark up/interest already taken to income account to be reversed and kept in Memorandum Account.	Provision of 25% of the difference resulting from the outstanding balance of principal less the amount of liquid assets.
2. Doubtful	Where mark-up/ interest or principal is overdue by 180 days or more from the due date.	As above.	Provision of 50% of the difference resulting from the outstanding balance of principal less the amount of liquid assets.
3. Loss	Where mark-up/ interest or principal is overdue by one year or more from the due date	As above.	Provision of 100% of the difference resulting from the outstanding balance of principal less the amount of liquid assets.

* These specific provisions will be in addition to general reserve maintained under Regulation R-4.

REGULATION R-23

The mortgage loans shall be classified and provided for in the following manner:

CLASSIFICATION (1)	DETERMINANT (2)	TREATMENT OF INCOME (3)	PROVISIONS TO BE MADE* (4)
1. Substandard	Where mark-up/ interest or principal is overdue by 90 days or more from the due date.	Unrealized mark- up/interest to be kept in Memorandum Account and not to be credited to Income Account except when realized in cash. Unrealized mark up/interest already taken to income account to be reversed and kept in Memorandum Account.	Provision of 25% of the difference resulting from the outstanding balance of principal less the amount of liquid assets realizable without recourse to a Court of Law and adjusted forced sale value of mortgaged/ pledged assets (subject to Note 1 below) as valued by valuers on the approved panel of PBA.
2. Doubtful	Where mark-up/ interest or principal is overdue by 180 days or more from the due date.	As above.	Provision of 50% of the difference resulting from the outstanding balance of principal less the amount of liquid assets realizable without recourse to a Court of Law and adjusted forced sale value of mortgaged/ pledged assets (subject to Note 1 below) as valued by valuers on the approved panel of PBA.
3. Loss	Where mark-up/ interest or principal is overdue by one year or more from the due date	As above.	Provision of 100% of the difference resulting from the outstanding balance of principal less the amount of liquid assets realizable without recourse to a Court of Law and adjusted forced sale value of mortgaged/ pledged assets (subject to Note 1 below) as valued by valuers on the approved panel of PBA.

Note 1 :

The benefit of FSV is allowed against NPLs of over Rs5 million only and from December 31, 2006 against NPLs of over Rs10 million only.

*These specific provisions will be in addition to general reserve maintained under Regulation R-4.

REGULATION R-28

The personal loans shall be classified and provided for in the following manner:

CLASSIFICATION	DETERMINANT	TREATMENT OF INCOME	PROVISIONS TO BE MADE*
(1)	(2)	(3)	(4)
1. Substandard	Where mark-up/ interest or principal is overdue by 90 days or more from the due date.	Unrealized mark-up/interest to be kept in Memorandum Account and not to be credited to Income Account except when realized in cash. Unrealized mark up/interest already taken to income account to be reversed and kept in Memorandum Account.	Provision of 25% of the difference resulting from the outstanding balance of principal less the amount of liquid assets.
2. Doubtful	Where mark-up/ interest or principal is overdue by 180 days or more from the due date.	As above.	Provision of 50% of the difference resulting from the outstanding balance of principal less the amount of liquid assets.
3. Loss	Where mark-up/ interest or principal is overdue by one year or more from the due date	As above.	Provision of 100% of the difference resulting from the outstanding balance of principal less the amount of liquid assets.

* These specific provisions will be in addition to general reserve maintained under Regulation R-4.