

Notice to Customers

Subject: Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances as per the guidelines issued by the Reserve Bank of India (“RBI”).

Reference: Circular dated 12th November, 2021, bearing No: DOR.STR.REC.68/21.04.048/2021-22 issued by the RBI.

All customers are hereby notified that:

- 1) Flagging of accounts pertaining to credit facilities/financial assistance availed by customers from the Bank as Overdue shall be done by the Bank as part of the Bank’s day-end processes for the Due Date, irrespective of the time of running such processes by the Bank.
- 2) Classification of accounts pertaining to credit facilities/financial assistance availed by customers from the Bank as SMA as well as NPA shall be done as part of day-end process for the relevant date.
- 3) SMA or NPA classification date shall be the calendar date for which the day end process is run.
- 4) The basis for classification of credit facilities/financial assistance availed by customers from the Bank as SMA categories shall be as follows:

For credit facility/financial assistance granted as Overdraft (other than Overdraft against Fixed Deposit)		For credit facility/financial assistance granted as Overdraft against Fixed Deposit		For credit facility/financial assistance granted as Term Loan and Term Loan for Allied Activities under Kissan Pragati Card		For credit facility/financial assistance granted as Term Loan for Agricultural Activities (other than Term Loan for Allied Activities under Kissan Pragati Card)		For credit facility/financial assistance granted as Term Loan against Fixed Deposit	
SMA Sub-categories	Basis for classification – Outstanding balance remains continuously in excess of the sanctioned limit or drawing power, whichever is lower, for a period of:	SMA Sub-categories	Basis for classification –	SMA Sub-categories	Basis for classification – Principal and/or interest payment wholly or partly overdue	SMA Sub-categories	Basis for classification – Principal or interest payment or any other amount wholly or partly overdue	SMA Sub-categories	Basis for classification –
SMA-0	Not Applicable	SMA-0	Not Applicable	SMA-0	Up to 30 days from the	SMA-0	Up to 305 days from the	SMA-0	Not Applicable

					due date of payment		due date of payment		
SMA-1	More than 30 days and up to 60 days	SMA-1	Not Applicable	SMA-1	More than 30 days from the due date of payment and up to 60 days	SMA-1	More than 305 days from the due date of payment and up to 335 days	SMA-1	Not Applicable
SMA-2	More than 60 days and up to 90 days	SMA-2	Not Applicable	SMA-2	More than 60 days from the due date and up to 90 days of the payments	SMA-2	More than 305 days from the due date of payment and up to 365 days	SMA-2	Not Applicable

5) The basis for classification of credit facilities/financial assistance availed by customers from the Bank as NPA shall be as follows:

For credit facility/financial assistance granted as Overdraft (other than Overdraft against Fixed Deposit)	For credit facility/financial assistance granted as Overdraft against Fixed Deposit	For credit facility/financial assistance granted as Term Loan and Term Loan for Allied Activities under Kisan Pragati Card	For credit facility/financial assistance granted as Term Loan for Agricultural Activities (other than Term Loan for Allied Activities under Kisan Pragati Card)	For credit facility/financial assistance granted as Term Loan against Fixed Deposit
Overdraft (other than Overdraft against Fixed Deposit) account is classified as NPA if it is 'out of order'	Account will be classified as NPA if adequate margin is not available in the account, i.e., loan outstanding is greater than the Fixed deposit amount	Account will be classified as NPA if Principal and/or interest payment is wholly or partly overdue for more than 90 days from the due date. Once the accounts becomes NPA it will remain so till all the arrears (interest and/or principal) are cleared and there is no overdue	Account will be classified as NPA if Principal and/or interest payment is wholly or partly overdue for more than 365 days from the due date. Once the accounts becomes NPA it will remain so till all the arrears (interest and/or principal) are cleared and there is no overdue	Account will be classified as NPA if adequate margin is not available in the account, i.e., loan outstanding is greater than the Fixed deposit amount

[Example: If Due Date of the credit facility/financial assistance is 31st March 2021, and the dues are not paid before the Bank runs the day-end process for 31st March 2021, the date of Overdue shall be 31st March 2021. If the account pertaining to credit facility/financial assistance continues to remain Overdue, then the account pertaining to credit facility/financial assistance shall get tagged as SMA-1 upon running day-end process on 30th April 2021 (i.e., upon completion of 30 days of being continuously overdue). Accordingly, the date of SMA-1 classification for the account pertaining to credit facility/financial assistance shall be 30th April 2021. Similarly, if the account pertaining to credit facility/financial assistance continues to remain Overdue, it shall get tagged as SMA-2 upon running day-end process on 30th May 2021 and if continues to remain Overdue further, it shall get classified as NPA upon running day-end process on 29th June 2021.]

However, accounts pertaining to credit facilities/financial assistance where there is erosion in the value of security (in case of secured loans)/fraud committed by borrowers, the account pertaining to credit facilities/financial assistance will straightaway be classified as NPA (Doubtful or Loss asset as appropriate) without going through the above mentioned various stages of asset classification, subject to the below parameters:

- a) Erosion in the value of security will be reckoned as significant when the realisable value of the security is less than 50 (Fifty) per cent of the value assessed by the Bank or accepted by RBI at the time of last inspection, as the case may be. Such NPAs shall be straightaway classified under doubtful category.
- b) If the realisable value of the security, as assessed by the Bank/ approved valuers/ RBI is less than 10 (Ten) per cent of the outstanding in the account pertaining to credit facilities/financial assistance, the existence of security shall be ignored and the account pertaining to credit facilities/financial assistance shall be straightaway classified as loss asset.
- c) In case the Bank detects or the Bank is informed about any fraud committed by the Borrower, the account pertaining to credit facilities/financial assistance shall be straightaway classified as loss asset.

Only the Due Date shall be reckoned for the purpose of guidelines of RBI on Income Recognition, Asset Classification and Provisioning pertaining to Advances, irrespective of whether or not the Bank has granted at its discretion, grace period (if any) for repayment of PEMII/PPII and/or EMI/PI and/or servicing the interest.

Meaning of the terms used herein:

- 1) **Bank:** Ujjivan Small Finance Bank Ltd.
- 2) **Borrower:** The person/entity to whom the Bank has agreed to grant credit facility/financial assistance and who has availed the credit facility/financial assistance, and shall, be deemed to include the co-borrower(s), if any.
- 3) **Due Date:** The due date as mentioned in the underlying loan agreement/facility agreement/loan card of the credit facility/financial assistance.
- 4) **NPA or Non-Performing Asset:** A credit facility account classified so, as per the guidelines of RBI.
- 5) **Out of Order:** (i) The outstanding balance in the CC/OD account under the credit facility/financial assistance remains continuously in excess of the sanctioned limit/drawing power for 90 days. (ii) In cases where the outstanding balance in the principal operating account i.e CC/OD account is less than the sanctioned limit/drawing power, but there are no credits continuously for 90 days or credits are not enough to cover the interest debited during the previous 90 days period.
- 6) **Overdue:** The amount due to the Bank under any credit facility/financial assistance is not paid on the Due Date.
- 7) **PI/Periodical Instalment or EMI/PI:** The amount of each periodical payment to be made by borrowers, on such periodical intervals as mentioned in the loan documents/facility documents, to amortize/repay/close the credit facility/financial assistance along with interest, over the tenure of the credit facility/financial assistance.
- 8) **PPII/Pre-Periodical Instalment Interest or PEMII/Pre-Equated Monthly Instalment Interest:** The amount of interest payable by borrowers, at the rate indicated in the loan documents/facility documents on the disbursed amount under the credit facility/financial assistance, from the relevant date of disbursement to the date of commencement of EMI/PI.
- 9) **RBI:** The Reserve Bank of India
- 10) **SMA or Special Mention Account:** A credit facility account which is exhibiting signs of incipient stress resulting in the borrower defaulting in timely servicing of his/her/its debt obligations, though the account has not yet been classified as Non Performing Asset by the Bank.

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