



THE ANDHRA BANK EMPLOYEES' CO-OPERATIVE BANK LIMITED

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Consumer Education Literature On Income Recognition, Asset Classification Norms

1. What is a Non-Performing Asset?

A 'non-performing asset' (NPA) is defined as a credit in respect of which interest and/or instalment of principal has remained past due for a period of 90 days or more.

An account can be classified as NPA only if the interest due and charged during any quarter is not serviced fully within 90 days from the end of the quarter.

2. Special Mention Account (SMA) and Classification

The classification of Special Mention Accounts (SMA) is introduced by the RBI, to identify those accounts that have the potential to become an NPA/Stressed Asset. Classification of SMAs is as below:

Loans other than revolving facilities		Loans in the nature of revolving facilities like cash credit/overdraft	
SMA Sub-categories	Basis for classification – Principal or interest payment or any other amount wholly or partly overdue	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-0	Upto 30 days		
SMA-1	More than 30 days and upto 60 days	SMA-1	More than 30 days and upto 60 days
SMA-2	More than 60 days and upto 90 days	SMA-2	More than 60 days and upto 90 days

The date of SMA/NPA shall reflect the asset classification status of an account at the day-end of that calendar date.

3. What is overdue amount?

Loan Overdue Amount is the amount left unpaid even after the due date of payment.

4. Up-gradation of loan accounts classified as NPAs

Loan accounts classified as NPAs may be upgraded as Standard asset only if entire arrears of interest and principal are repaid by the borrower. With regard to up-gradation of accounts classified as NPA due to restructuring, non-achievement of date of commencement of commercial operation (DCCO), etc., the instructions as specified for such cases shall be applicable.

5. What is the meaning of the term 'Dues'?

The term 'Dues' mean, the principal/interest/any charges levied on the loan account which are payable within the period stipulated as per the terms of sanction of the credit facility.

6. Renewal Pending:

Regular and ad-hoc credit limits need to be reviewed/regularized not later than three months from the due date/date of ad-hoc sanction.

7. At what periodicity the lending Institutions undertake the classification of Accounts as SMA or NPA?

Lending institutions undertake the process of classification of accounts as SMA/NPA on daily basis during the Day-end-process.

8. Whether all loan accounts of the borrower is classified as NPA if one of his loan accounts turns NPA?

Yes, NPA classification is borrower wise and not account wise. Hence if one loan account of the borrower is classified as NPA, all other loan accounts of the borrower also will be classified as NPA.

9. Whether amount paid/deposited during the day is considered during the NPA marking process?

Credits received before the day-end-process are reconsidered for calculation of delinquency at the time of undertaking the Asset Classification process. Any credit received subsequently are treated as receipts for the subsequent day.

10. What is the impact on the borrower if account is slipped to Stress/NPA?

As per the regulatory guidelines Bank has to report Stress/Default/NPA to Central Repository Information of Large Credit (CRILC), Credit Information Companies etc. from time to time which impact the credit history of the borrowers and attendant repercussions. Further, recovery action including legal action would be initiated by Bank.