

**Typical reasons observed for the divergence in asset classification during
Supervisory Cycle 2024-25 for UCBs:**

1. **Reclassification of NPAs** - Loan accounts which were restructured under Resolution Framework (RF1.0) / RF 2.0 and classified as NPA, remained overdue till date and 'satisfactory performance' was not evidenced. Accordingly, these accounts were downgraded.
2. Accounts were downgraded as entire arrears of principal and interest were not paid at any point of time.
3. It was observed that , the bank had converted the credit facility from non-EMI to EMI. Since, the original terms and conditions of the loan were changed post sanction, the account was considered as restructured and accordingly, downgraded with effect from the date of restructuring.
4. It was observed that the bank was following 120 DPD norms for gold loan under bullet repayment. Accordingly, these loan accounts were classified as substandard.
5. Despite principal and/or interest remaining overdue for more than 90 days, certain accounts were not classified as substandard and the same were downgraded.
6. The Drawing Power calculations had considered ineligible debtors of more than 90 days in a cash credit account in violation of the terms of sanction. Upon reassessment of DP with elimination of debtors of more than 90 days, the outstanding balance was found to be continuously above the drawing power for more than 90 days. Accordingly, these accounts were classified as sub-standard.
7. The loan account, restructured twice under the COVID MSME resolution frameworks, was granted reduced EMIs and extended repayment terms, with a specified performance. However, due to irregular repayments during this period, the account did not demonstrate satisfactory performance and was classified as NPA in line with regulatory guidelines.
8. The Overdraft account, which was not renewed on expiry, showed minimal business activity, and relied on solitary credits primarily for interest servicing. Interest was waived to retain the borrower, indicating restructuring. As per regulatory guidelines, the account was classified as restructured and

downgraded to 'Substandard' due to inherent weakness and insufficient genuine operations.

9. The loans were incorrectly classified as Direct Agriculture Advances, though they did not meet the eligibility criteria under regulatory guidelines. As a result, NPAs were identified and classified by the inspection team in accordance with applicable IRAC norms.
10. In certain cases, the bank had incorrectly offered moratorium period of four months as date of first instalment was incorrectly entered in CBS.