

नगर अर्बन को-ऑप. बँक लि., अहमदनगर
(मल्टी स्टेट शेड्युल्ड बँक)अहमदनगर



LOAN POLICY

2014 - 2015

बँक रोड, पोस्ट बॉक्स नं.७, अहमदनगर

NAGAR URBAN CO-OP BANK LTD., AHMEDNAGAR
(Multi - State Scheduled Bank, Ahmednagar)

LOANS & ADVANCES POLICY

Loans and advances policy is approved by Board of Directors in their meeting held on 26/12/2014 by Passing Resolution No. 9.

1) Objects :-

- 1) Bank accepts deposits of money from the public for the purpose of lending and Investment repayable on demand or otherwise. It is, therefore necessary to regulate lending activity by formulating Loan and Advances policy keeping in view the guidelines issued by RBI from time to time in exercise of power under B.R.Act 1949 (AACS) and guidelines issued by Registrar of Co. operative society from time to time in exercise of power under Maharashtra co. operative societies Act.1960 and Rules framed there under.
- 2) In terms of provisions under section 24 of the B.R.Act 1949 (AACS), Bank is required to maintain liquid assets @ 25% of Demand and time Liabilities in addition to cash reserve requirement @3% of Demand and time Liabilities under section 18 of the Act.
- 3) In other words 72% of deposits are available for the purpose of Lending. However, Bank has decided to disburse upto 70% of deposits interims of Loans and Advances.
- 4) In order to have better risk management and avoidance of concentration or credit risk Bank have fixed Limits to
 - i) Individual/group borrowers
 - ii) Specific sector.
 - iii) Unsecured advances and unsecured guarantees

In addition to these Bank have restricted advances in respect of shares, debentures and bonds.

2) **Exposure Norms:-**

1) Exposure ceiling to Individual/Group Borrowers :

Exposure Limit - From 1/04/2014 (1/04/2014 to 31/03/2015)

| | | | |
|---|--|--|-----------|
| 1 | Capital Fund | | 31.3.2014 |
| | A. Tier I Capital Elements | | |
| | (a) Paid up Capital | | 1697.64 |
| | (b) Reserves & Surplus | | |
| | (i) Statutory Reserves | | 2353.22 |
| | (ii) Capital Reserves | | 0.00 |
| | 1. Building Fund | | -- |
| | (iii) Other reserves | | 667.45 |
| | (iv) Surplus in Profit & Loss A/c. | | 586.51 |
| | Total Reserve & Surplus | | 3607.18 |
| | (Non appropriated Profit) | | |
| | 1. Statutory Reserve | | |
| | 2. Contingency Fund | | |
| | 3. Member Well fare fund | | |
| | Total of Tier I Capital | | 5304.82 |
| | B. Tier II Capital | | |
| | (i) Undisclosed Reserves | | |
| | (ii) Revaluation Reserves | | 338.22 |
| | (iii) General provision and loss reserves | | 533.40 |
| | (iv) Investment Fluctuation Reserves/Funds | | 498.00 |
| | (v) Hybrid debt capital instruments | | |
| | (vi) Subordinated debts | | |
| | Total of Tier II Capital | | 1369.62 |
| | Total of Tier I & II Capital | | 6674.44 |

i) Bank capital Funds as on 31/3/2014 stands at Rs. 6674.44

{ Tier - I 5304.82 Lakh }

{ Tier - II 1369.62 Lakh }

Total 6674.44 Lakh

Therefore

- i) Individual borrower 1001.17
- ii) Group borrower 2669.78

- ii) The exposure to an individual Borrow :
 @ 15% to capital Funds = Rs. 1001.17 Lakh
 The exposure to group Borrowers :
 @ 40% of capital Funds = Rs 2669.78 Lakh
- iii) Above Credit Exposure is applicable to funded and non-funded credit limits.
- iv) Credit Exposure would not be applicable to Loans & Advances granted against the security of Bank's own Term deposits.
- v) The sanctioned limit or outstanding whichever is higher would be reckoned for arriving at credit exposure
- vi) Incase of non funded Credit Limit, 100% of such limit
- vii) Consortium/Multiple Banking/Syndication :
 The Bank's share would be applicable for credit exposure

3) Sectoral Exposures : Exposure Limit to different sector viz.

industry, business etc. is as follow-

- i) Agriculture 5% Total Advances.
- ii) Activities allied to Agriculture 15% of Total Advances.
- iii) Traders interims of cash/credit, Hypothecation 25% of Total Advances.
- iv) Small Business Enterprises 20% of Total Advances.
- v) Road Transport Operators 5% of Total Advances.
- vi) Housing 2% of Total Advances.
- vii) Professional & Self employed 7% of Total Advances.
- viii) Consumer Loan 5% of Total Advances.
- ix) Small scale Industries & 15% of Total Advances.

Cottage Industries

- x) Education Loan 1% of Total Advances.

Temporary Overdraft -

Bank will sanction 10% temporary overdraft of sanction limit of standard / Regular H.P & Cash credit loan holder upto exposure limit of bank as per R.B.I guidelines . The rate of interest will be charged at 24% on temporary overdraft

4) Exposure to Real Estate Sector :

- i) Bank will disburse upto 10% of total deposits resources for housing loan and other block capital.
- ii) The above limit could be exceeded if Bank obtains funds from higher financing agencies and refinance from NHB for the purpose.
- iii) Bank would make sure that credit is being used for construction activity and not activity connected with speculation in real estate.

5) Ceiling on unsecured Advances :

- i) Bank will sanction unsecured advance with 2 sureties upto Rs.2,00,000/- (clean bills, drawal allowed against cheque sent for collection, Hundies etc.)
- ii) As per R.B.I Policy Bank can grant unsecured advance without surety upto Rs.50,000/- i.e. withdrawal against third party cheques for a temporary period of 30 days. But our Bank has decided not to give such type of Advance
- iii) Aggregate ceiling on unsecured Advances :
Bank will grant total unsecured advances (with surety and without surety) upto 15% of Demand and Time Liabilities.

Bank will not finance a borrower, who is already enjoying credit facilities with another bank, without obtaining a NOC' from such financing bank will where the aggregate of credit facilities enjoyed by the borrower exceeds the ceiling stipulated for a single party, the prior approval of RBI would be obtained.

6) Statutory Restrictions:

i) In terms of Section 20 (i) of the B.R.Act 1949 (AACS), Bank will not grant Loans and advances on the security of its own shares.

ii) Restrictions on power to Remit Debts:

In terms of sections 20 A (i) of the B.R.Act 1949 (AACS), bank will not, except with the prior approval of the RBI, remit in whole or in part any debt due to Bank by-

(a) any past or present directors

or

(b) any firm or company in which any directors is interested as director, partner, managing agent or guarantor

or

(c) any individual, where director is partner or guarantor.

7) Regulatory Restrictions

(i) Granting of Loans and Advances to Directors and their relatives:

(a) Bank will not provide or renew either secured or unsecured Loan and

Advances or any other financial accommodation to directors and their relatives, their firm/companies / concerns in which they are interested Loans and Advances Sanctioned before 1

Oct. 2003 would be allowed to continue up to due date, the advances would not be renewed or extended further.

- (b) Above restrictions would not apply to
 - A. Regular employee related Loans to staff, directors on the Board of the Bank.
 - B. Loans to directors and their relatives against Fixed Deposits and Life Insurance Policies standing in their own name.

8) Maximum ceiling on Advances to Nominal Members:

Bank will sanction loans to nominal members upto Rs. 50,000/- for short/ temporary period for purchase of consumer durables.

i) Advances against FDR issued by other Banks:

Bank will not sanction or grant any advance against FDR of other Bank.

ii) Bridge Loans/Interim finance :

Bank will not sanction any proposal for bridge Loan/ interim finance against capital / debenture issue from all types of; non-banking financial companies.

9) Loans and Advances against share, Debentures and Bonds:

a) Bank will not extend any credit facility to Stock Brokers.

b) Loan against primary/collateral Security of shares/debentures would be limited to Rs. 10 lakh if the security is in de-mat form only.

c) A margin of 50% would be maintained on all such advances.

d) Aggregate of all Loans against the security of shares and debentures would not exceed 20% of the owned funds

- e) Bank would report Regional Office of RBI outstanding to individual borrowers and other entities against share on quarterly basis in a prescribed format.
- iii) Bank Finance to Non Banking Financial Companies(NBFC):
Bank will not finance NBFC including those engaged in Hire purchase/ Leasing.
- iv) Financing for Agriculture Activities :
Bank would finance agriculture activities as per RBI guidelines in this regards subject to following conditions.
- a) Bank will provide Allied Agri. finance to farmers who are regular Members of the bank and not to nominal members.
- b) Bank will extend credit facility after obtaining "no dues certificate from the existing credit agencies in the area.
- v) Restriction on Advances to Defaulters of Statutory Dues:
Borrower who employees more than 10 employee, Bank would obtain a declaration from the borrower that there are no arrears of Providend Fund and other statutory dues and all such dues have been duly paid. Such declaration duly certified by the auditor of the borrower would be obtained.

10) FINANCE FOR HOUSING SCHEMES

- 1) Housing finance to specified categories upto prescribed limit is treated as priority sector lending. Providing credit facility to this sector, bank would achieve social objective particularly to the Weaker Section of Society, being house is a basic need of the individual.
- 2) Eligible category of Borrowers:

- i) Bank will grant loans to individuals
 - ii) Owners of houses/flats for extension and up-gradation, including major repairs.
- 3) Period of Loan :
Housing loans would be repayable within maximum period of 15 years, including moratorium. Moratorium would be granted till completion of construction or 18 months from the date of disbursement of first installment of the loan, whichever is earlier.

11) Priority Sector Lending

- 1) Lending Targets:
 - i) Bank would disburse 40% of total Loans and Advances to priority sector of which 25% (or 15% of the Loans and Advances) to Weaker Section.
- II) Housing Loan for Individual:

Bank will disburse upto Rs. 25 Lac. for Individual Person from 1st April 2011.
- 2) Classification of Priority and Weaker Section Advances :
 - i) The types of advances to be reckoned as priority Sector advances and those of it to be considered as advances to Weaker Section are indicated in Annex - I.

12) Flow of credit to SSI

Bank would make sure that credit facilities extended to SSI is available to all segment of Sector Classified on the basis of investment in Plant and Machinery as follows :

| 1) Cottage industries & tiny industries | Investment in Plant & Machinery | % of total SSI Advances |
|---|----------------------------------|-------------------------|
| | a) upto 5 lakh | 40% |
| | b) Between 5 lakh to 25 lakh | 20% |
| SSI units | a) Between 25 lakh & Rs.100 lakh | 40% |

4) Flow of Credit of Minority Communities:

Bank would make sure that the minority communities such as Sikhs, Muslims, Christians, Zoroastrians and Buddhists would receive an equitable portion of the credit.

5) Monitoring and evaluation of Priority Sector and Weaker Section Advances

Bank would undertake periodic review relating to priority and Weaker Section advances on half yearly basis i.e. on 30 Sept. and 31 March.

6) Register for Priority Sector / Weaker Section Advances:

Bank would maintain a register relating to Priority Sector/ Weaker Section advances in prescribed format specified by RBI.

13) Linking of Share holding to borrowing:

In regards to linking of share holding to borrowing Bank would follow :

- i) 5% of the borrowing if such borrowings are on unsecured basis
- ii) 2 1/2 % of the borrowings in the case of secured borrowings.

iii) In case of Loans for SSI units, the Linking of Share Capital would be fixed initially at 1% of the borrowings, to be raised in the course of the next 2 years to 2 1/2%.

14) ASSESSMENT OF WORKING CAPITAL REQUIREMENT

- i) Bank would make assessment of Working Capital requirement of borrower would be made on the basis of projected annual turnover.
- ii) The working capital requirement would be assessed at 25% of the projected turnover to be shared between the borrower and the bank
- iii) Borrowers contribution would be 5% of the turnover as net working capital (NWC) and Bank would provide finance at a minimum of 20% of the turnover.
- iv) Bank would made sure the reasonableness of the projected annual turnover of the applicant, on the basis of annual statements of accounts.
- v) Bank would make sure that the estimated growth during the year is realistic on the basis of last 3 years financial statements.
- vi) Borrower would be required to bring in 5% of his annual projected turnover as margin money, Bank will compute 25% of the projected turnover as a working capital requirement of which 4/5 would be provided by bank and balance 1/5 would be borrower's contribution towards margin for the working capital
- vii) Where turnover exceeds projections or initial computation working capital is found inadequate, suitable enhancement in the working capital limit would be considered by the Board of Directors.
- viii) Bank would make sure that drawals against the limit would be allowed for the purpose intended as a safeguards

- ix) Bank will make sure that, borrower submits monthly Stock Statement and receivable
- x) Senior Officer from Loans & Advances sections would visit borrower's premises at regular interval for verification of stock

15) Credit Administration

i) Rate of Interest:

Rate of interest on different types of Loans and Advances would be applicable as per details shown in Annex - II (& applicable as & when charged)

16) Processing and other charges :

- a) Processing Charges would be applicable as per details shown in Annex - I
- b) Other charges - % charges for non used CC limits A/cs

Above rates of interest and charges would be reviewed from time to time as and when bank feels necessary

* Processing Charges will not be applicable for

- i) Loans against Term Deposits
- ii) Gold Loan
- iii) Loans against Government Securities such as NSC / KVP/IVP
- iv) Advances against warehouse receipt
- v) Loans against Shares/Debentures

17) Penal Interest:

- a) Bank would not charge penal interest to loan upto Rs.10000/- under priority sector.

b) In other cases bank would charge Penal interest @ 2% on outstanding amount for default in repayment, and Rs.25/- per month in case of non submission of financial statement stock statements etc.

c) Bank would ensure that the total interest debited on an account would not exceed the principal amount in respect of short-term advances granted to small and marginal farmers

d) Where the borrower wants to close his loan account in toto & if he demands some waiver in interest amount in that case Branch Manager has empowered to waive 2% penal interest which has been debited in that loan account.

Accounting method for closure of certain type of Loan A/cs.

Where a loan account which has been classified by bank as NPA under D1,D2,D3 or lower categories where there is no any security available to bank & 100% provision has been made in such case any amounts received will be adjusted to principal amount first & if remaining amount will be credited to interest receivable account.

Pricing of Loans

We use a system of risk based pricing to determine the interest rates that we charge by this system evaluate the risk factors of mortgage application & credit profile and adjust the interest rates up or down based on risk evaluation.

a) Credit profile - The credit report contains credit score . Credit score look at five kind of credit information viz, Payment History, Amount owed, length of credit history, new credit and types of credit in use.

1) Interest rates on various types of Loans will be fixed by considering PLR of the bank time to time

2) Market Factor :- Advances such as Gold loans, Vehicle loans, which are variable due to ups & downs of the market. For these Loans, interest rates will vary time to time.

18) No Objection Certificate:

Bank will not finance a borrower already availing credit facility from another bank without obtaining "NOC" from the existing financing bank.

19) Certification of Accounts by Chartered Accountants:

Bank would obtain the audited financial statement from the borrower enjoying credit limit of Rs. 10 lakh and above

Sanction of Advances :

i) Bank would sanction Loans and Advances with proper credit appraisal based on repaying capacity, of the borrower, viability of the business/Key Financial Indicators of enterprises and Collateral Security.

ii) Delegation of Sanctioning Power : As per Annex III.

20) Monitoring operation in Loan Accounts:

1) Diversion of Funds:

i) Bank will keep a proper vigil over the cash withdrawal for large amount whether it is being used for the purpose for which the credit limit are sanctioned.

ii) Bank will make sure that there is no diversion of working capital finance for acquisition of fixed assets, investment in associate companies/ subsidiaries and acquisition of shares, debentures, units of

UTI and other Mutual Funds and other investment in the capital market

iii) Bank will adopt post sanction follow up of loans and advances to ensure that the security obtained from borrowers by way of hypothecation, Pledge etc. are intact and are adequate.

iv) Bank will not issue banker's cheque/pay order/ demand drafts against instrument presented for clearing unless the proceeds there of are collected and credited to the accounts of party.

v) Bank will not allow, banker's cheque/ pay order demand drafts by debit to cash credit/overdraft accounts which are already overdrawn or likely to be overdrawn with the issue of such instruments.

vi) Bank will allow drawals against clearing instruments such as bank drafts and Govt. Cheques and only to a limited extent against third party cheques

vi) In case a borrowers is found to have diverted finance for the purpose other than for which it was granted, bank will recall the amount so diverted

viii) Where borrower fails to repay the amounts diverted from cash credit accounts for uses other than for which the limit was sanctioned, bank will reduce the limit to the extent of amount diverted

21) End use of Funds:

Bank will adopt following measures for monitoring end use of funds

- i) Scrutiny of operating statements, balance sheet of borrower
- ii) Regular inspection of borrowers assets charged to the bank as security
- iii) Periodical scrutiny of borrowers looks of accounts
- iv) Periodical visits to the assisted unit

- v) Periodical stock audit in case of working capital finance of Rs.10 lakh and above.

22) **NPA Recovery & reduction in NPA recover**

The board has taken proper steps & personally approaching the NPA loan holders for recovery & reduction in NPA

Board are taking monthly recovery report from the Managerial Staff who are monitoring the NPA account & for identification in sickness in loan account bank have generate reports in computerized system of finding out over dues in each account & make follow up with branches to recover over dues.

23) Advances to Builders/Contractors:

- i) Bank will refrain from sanctioning Loans advances to Builders / Contractors
- ii) However, where Builders/Contractors undertake construction on their own (i.e. when no advance payment are received from prospective buyers) Bank would consider extending financial assistance to them against hypothecation of Stock
- iii) Bank would obtain periodical stock statements.
- iv) Bank will maintain margin at 50% and determine drawing power.
- v) Bank will make sure that stock statements do not contain the material used in the construction work.
- vi) Bank will obtain collateral security. Otherwise bank will enter into a tripartite agreement with the borrower and his clients.
- vii) Bank will finance against work orders of State/Central Govt.

24) **Annual review of Advances :**

- i) Bank would under take an exercise of Annual review of Advances to make assessment of the working capital requirement of the borrower based on latest data available, whether limits continue to be within the need-based requirements and according to the bank's prescribed lending norms.

25) **Valuation of properties-empanalment of valuers :**

- i) Bank will conduct valuation of properties including collaterals accepted for credit facility.
- ii) The valuation would be done by professionally qualified independent valuers i.e. the valuer should not have a direct or indirect interest.
- iii) Bank will maintain a register of "approved list of valuers."
- iv) Bank will have different valuer with appropriate qualification for different class of assets such as :
 - i) Land and building
 - ii) Plant & Machinery
 - iii) Agricultural Land
 - iv) Vehicles

While prescribing the qualification, bank will take into consideration

the qualification prescribed under Section 34 AB (Rule 8A) of the wealth Tax Act 1957.

26) **Advances against Gold :**

- 1- Banks are currently permitted to grant advances against gold ornaments . No advances can be granted by banks for purchase of gold in any form including primary gold, gold bullion, gold chips/ biscuits, gold coin, units of gold exchange traded funds and units of gold mutual funds.
- 2- The period of the loan shall not exceed 12 months from the date of sanction.
- 3- The bank should maintain a Loan to value (LTV) ratio of 75% on the outstanding amount of loan including the interest on an ongoing basis.
- 4- E.M.I . is applicable to loans of gold ornament of Rs. 2.00 lac & above.
- 5- Fixing the rate of gold loan against gold ornament to be delegated to Hon. Chairman & Chief Executive Officer

27) **One time settlement**

RBI has been receiving representation from the Urban Co-op bank and their Federation / Association for extending the cut of date for compromise settlement of NPA under one time settlement scheme from time to time.

Constitution of SAC (Settlement Advisory Committee)

The Board of Director constitute SAC Comprising officials of the Bank the committee may comprise of chairmen, director & chief executive officer of the Bank

The SAC constituted as above take review request for compromise settlement from eligible borrower

28) **Method of Charging Interest**

- 1) Monthly Interest to all types of Loans & Advances should be calculated on effective interest rate method except below mentioned type of Loans.
- 2) Interest application method of Education Loan Should be Simple Interest method.
- 3) Yearly Interest should be applied on Employee Housing and Repair accounts i.e. on every 31st march.
- 4) If District Industries Centre has declared any unit as a sick Unit, then Simple Interest should be charge to the credit facilities availed by such unit from the date on which it was declared at "SICK", except Cash credit facility from the date of its last renewal. It is necessary to produce the Sick Unit Certificate issued by District Industries Centre before charging interest by the bank. Amount credited during the period, should be account for at the last.
- 5) If Loan is disbursed to the female/Woman upto Rs.50,000/- and she or her husband dies, then interest should not be applied on the outstanding balance from the date of his/her death. But such type

of account should be closed by the nominee within 6 months from the date of death of the borrower or her husband.

- 6) If Bank sanctions a Loan against Fixed Deposit to its Permanent Staff, rate of interest should be equal to Fixed Deposit Interest rate, as per guidelines of RBI.

29) Bank Guarantees

In view of risks involved in the business of issuance of guarantees bank should extend guarantees with restricted limits so that their financial position is not impaired. The banks should follow certain broad guidelines in respect of their guarantee business.

Type of Bank Guarantees

- 1- Performance Bank Guarantee
- 2- Financial Bank Guarantee

Maturity - It would be desirable for Bank to confine their guarantees to relatively short term maturities guarantees should not be issued for period exceeding 10 years in any case

Bank Guarantee commission

| | <u>Commission</u> |
|--|-------------------|
| 1- 100% fixed deposit against Bank guarantee | Rs. 1% per year |
| 2- 25% Fixed Deposit & property mortgage / shares/other securities | Rs. 2.5% per year |

(As per Board of director resolution Bank decide commission on Bank Guarantee)

1- Performance Guarantees -

Bank may issue performance guarantees on behalf of their constituents subject to exercising due caution in the matter and against 100% margin in fixed deposit or partly margin and partly registered mortgage of collateral security. The execution of registered mortgage of property &/or issue performance bank guarantees as per Board of Director resolution

2- 100% Fixed deposit Bank Guarantees

Bank may issue 100% fixed deposit Bank guarantees to sanction the Branch Manager as per board of directors.

30) Restructuring of existing Loans

- a. As the repaying capacity of the people affected by natural calamities gets severely impaired due to the damage to the economic pursuits and loss of economic assets, relief in repayment of loans becomes necessary in areas affected by natural calamity and hence, restructuring of the existing loans will be required. The principal amount outstanding in the crop loans and agriculture term loans as well as accrued interest thereon may be converted into term loans.
- b. The repayment period of restructured term loans may vary depending on the severity of calamity and its recurrence, the extent of loss of

economic assets and distress caused. Generally, the restructured period for repayment may be 3 to 5 years. However, where the damage arising out of the calamity is very severe, banks may, at their discretion, extend the period of repayment ranging upto 7 years and in extreme cases of hardship, the repayment period may be prolonged up to a maximum period of 10 years. In all cases of restructuring, moratorium period of at least one year should be considered. Further, the banks should not insist for additional collateral security for such restructured loans. The asset classification status of the restructured term loan and other dues will be as under.

- c. The restructured crop loans may be treated as current dues and need not be classified as NPA. The asset classification of the restructured term loans would thereafter be governed by the revised terms and conditions and would be treated as NPA if interest and / or installment of principal remain overdue for two crop seasons for short duration crops and for one crop season for long duration crops. Depending upon the duration of Crops raised by an agriculturist, the above norms would also be made applicable to the restructured agricultural term loans.
- d. In retail or consumer loans segment, the banks may restructure the loans in a manner suitable to the borrowers on a case-to-case basis.

ANNEX - I

PRIORITY

- i) Agriculture (upto exposure)
 - a) Advances upto Rs. 10 lakh against pledge/hypothecation of agriculture produce (including warehouse receipt) for a period not exceeding 12 months.
- ii) Agriculture Allied Activities (upto exposure)
 - diary, fishery, Poultry etc.
- iii) Small Enterprises :
 - a) Small (manufacturing) enterprises upto 5 crore
 - b) Micro (manufacturing) enterprises upto Rs. 25 lakh
- iv) Service Enterprises :
 - a) Small (service) enterprises upto Rs 2 crore
 - b) Micro (service) enterprises upto Rs 10 lakh
- v) Retail Trade
 - a) For fair price shop upto exposure
 - b) For private retail traders Rs.20 lakh
- vi) Micro credit upto Rs 50,000/-
- vii) Education upto Rs.10 lakh (Studies in India)
upto Rs.20 lakh (Studies in India)
- viii) Housing upto Rs-25 lakh

As per Board Of Director Resolution No. 9 Dated 26/12/2014

Hon. Chairman

Chief Executive Officer

All investment as above will be subject to the prescribed prudential Individual and group exposure norms. i.e. for individual 15% or capital funds and for group 40% of capital funds

The exercise of Computing the exposure ceiling will be conducted every year after the finalisation and audit of the balance sheet.

It is, therefore, capital funds as on 31/03/2012 were Rs.5338.35 lakh (i.e. Tier-I + Tier-II)

Ceiling for individual Non SLR securities at 15% of capital funds is Rs. 800.75 lakh.

Ceiling for group Non-SLR securities at 40% of capital funds is Rs.2135.34 lakh

Bank will make investment in 'A' or euivalent rated commercial paper (Cps) debentures and bonds that are redeemable in nature

Bank will not make any investment in perpetual debt instrument.

Prohibited categories of investments :-(Restrictions for investment)

Though the bank's investment is generally in tune with RBI guidelines, bank should undertake usual precautions before the investment

1. Bank should not invest in perpetual debt instruments
2. Investment in unlisted securities should be limited to 10% of the total Non- SLR investment at any time. If such investment lead to a breach of 10% bank should not make further investments till such time the non SLR securities comes with in the limit of 10%
3. Bank should invest in deep discount zero coupon bonds should be subject to the minimum rating as stated above & comparable market yields for the residual duration
4. Bank should not make investment in units of mutual funds other than units of debt mutual funds & money market mutual funds
5. Bank should not make fresh investments in share of All India Financial institutions

Regulatory Compliance :

- i) Bank will undertake due diligence in respect of investment in non SLR securities.
- ii) Bank will not make investment in such non -SLR securities where funds raised are used in activities which are banned/restricted by RBI.
- iii) Bank will not invest in unrated debt securities except bonds of nationalised banks, unlisted securities, unlisted shares of All India Financial Institutions and privately place debt securities.

As per Board Of Director Resolution No.-----dated -----

Hon. Chairman

Chief Executive Officer

2) Holding Shares in Pvt. Sector Companies or Institutions other than Co-operative Sector :

Bank will not subscribe to the initial or subsequent issue of shares / debentures of Pvt. Sector companies or bodies or organizations other than in Co-operative Sector unless specifically permitted by the Reserve Bank.

3) Deposits with other institutions and other primary Urban Co-operative Banks:

- i) Bank will not place deposits with other scheduled / non scheduled urban co-op. banks. However Bank will accept deposits from non-scheduled urban co-op. banks provided such deposits will not exceeds 10% of DTL as on 31 March of the previous financial year DTL as on 31/03/2012 is Rs.66157.02 Lakh.

It is therefore for the financial year 2011-12 such deposit will not exceeds

Rs. 6615.70 lakh.

- ii) Bank will not place deposits with other institutions companies / corporations etc.
- iii) Bank may maintain balance in current accounts with other banks for clearing and remittance purpose.

Inter-bank exposure limit :-

Exposure to any single bank will not exceed 5% of DTL as on March 31 of the previous year. DTL of the bank as on 31/03/2012 was Rs. 66157.02 lakh. It is, therefore bank will not exceed amount of Rs.3307.85 lakh as a deposit with any single bank.

Deposits placed for all purposes including call money/notice money, availing CSGL facility, currency chest facility and non fund based facilities such as Bank Guarantee (BG) Letter of Credit (LC) will be excluded while determining the single bank exposure limit for this purpose.

The total amount of funds placed as inter bank deposits (for all purposes, including call money/Notice money, clearing, remittance etc.) will not exceed 20% of the DTL of bank as on March 31 of previous year. Bank is DTL as on 31/03/2012 were Rs.66157.02 lakh.

It is therefore, total inter bank deposits will not exceed Rs.6419.61 lakh.

4) Non - SLR debt securities :

Coverage :

Bank will invest in following debt securities.

- i) Bonds issued by Public sector undertaking.
- ii) Unsecured redeemable bonds floated by nationalized banks.
- iii) Bonds issued by all India Financial Institutions.

- iv) Units of Unit Trust of India.
- v) Disclosure of details of issuerwise compositing of Non SLR Investment and non performing investment to be reflected in the notes on account of the balance sheet yearly.

Bank will make investment in primary market as well as in the secondary market.

Bank will make investment in Non-SLR debt securities of original maturity of one year onwards.

Investment in capital gains bonds, bonds eligible for Priority Sector status and bonds issued by central or state public sector undertaking. With or without Government guarantees.

Exposure Norms:

Investments in Non-SLR securities will not exceed 10% of a bank's total deposit as on March 31 of the previous year.

It is, therefore, investment in Non-SLR securities for the Financial year 2012-2013 will be Rs.1138.42 lakh.

Investment in unlisted securities will not exceed 10% of the total Non-SLR investments at any time.

It is, therefore, investment in unlisted Non-SLR securities for the Financial year 2012-13 will be Rs. 650.00 lakh.