CRM POLICY

Cir 520/2024

- **CREDIT RISK MANAGEMENT POLICY (Cir 520/2024)**

- Part-1: **Policy Framework** : Broad Policy guidelines & IRB Guidelines
- Part-2: **Procedure document** (Credit Risk Management Policy & Collateral Management Policy

- **POLICY FRAMEWORK:**
- This policy will be approved by the **Board of Directors** through the **Risk Management Committee of the Board** (RMCB) **annually.**
- Inspection wing will conduct an independent assessment of effectiveness and implementation of this policy **Annually.**

- **Credit Risk: Possibility of losses** associated with **default** by counterparties to meet obligations. (**Default – when asset is classified as NPA**)
- **For Retail Loans**, If total interest and/or principal exceeds 50% of the total **retail exposure** to a particular borrower then **all the exposures** to that borrower will be considered to be in default.
- **Expected Loss (EL) :** Average anticipated credit loss in normal course of business due to default in exposures. Normally managed by **Pricing & Provisioning**.
- **Unexpected Loss (UL):** Over and above expected losses. Standard deviation at a confidence level from the expected losses. Covered by keeping **Capital as cushion**.
- **Probability of Default (PD) :** Probability that the borrower will default within a one year horizon
- **Loss Given Default (LGD):** Bank's economic loss upon the default of a debtor/borrower
- **Exposure at Default (EAD):** Gross exposure/potential gross exposure under a facility (i.e. the amount that is legally owed to the bank) at the time of default by a borrower
- **EL = PD** x **LGD** x **EAD**

- **Risk Management Committee of the Board (RMCB)**
- Headed by Chairman of the Bank. Comprises MD&CEO, EDs & 3 other Directors of the Bank.
- Oversee Credit Risk Management.
- **Credit Risk Management Committee (CRMC)**
- **Constitution**: MD&CEO, EDs, RM wing head, Heads of all credit wings. CAM, RBS & Inspection wing. Special invitees: GM of RM wing & wing head of note placing wing.
- **Monitor** implementation of CRM policy, ensure compliance with Prudential limits. **Decide delegation of powers, collaterals, pricing of loans, Provisioning etc.**
- The CGM/GM of Risk Management Wing is **Group Chief Risk Officer (GCRO**)
- The borrowers rated as **Moderate Risk and better** are termed as **investment grade** exposures. Moderate Risk is equivalent to **"BB"** by External Rating Agencies.
- No authority, other than **CAC of the Board** and above authorities, is empowered to permit credit facilities to new borrower clients rated **High Risk.**
- If the total eligible provisions are over and above the **Expected Loss(EL)** amount, the excess can be included in **Tier 2 capital** up to a maximum of **0.6% of credit risk weighted assets** subject to RBI approval.
- Where the total EL amount exceeds total eligible provisions, banks must **deduct** the difference from its **common equity**

- **Risk Adjusted Return on Capital** (RAROC) : Bank shall compute RAROC for all the Corporate/MSME/Agricultural Proposals having aggregate exposure to counterparty of **above Rs.7.50 crore** from our Bank.
- **Exempted from RAROC**: Loans against our Deposits, Staff Loans, Loans under Restructuring, exposures **below Rs.7.50 crores.**
- **RM** wing shall review all RAROC proposals **above Rs.100 cr**.
- For corporate exposures, **PD**s are required to be estimated for each **borrower rating grade** and **LGDs**, **EADs** and **Effective Maturity** are required to be estimated for **each facility assigned to the borrower**
- During **Transition period** (2 years as per RBI) minimum capital maintained by Bank under IRB/Standardized Approach, whichever higher. However as per Standardized approach 100% of required capital to be maintained in 1st year and 90% in 2nd year onwards, (if RBI extends beyond 2 years)
- **The Bank shall continue to measure credit risk based on the standardized approach along with IRB until RBI approval for IRB approaches is in place**

- **PROCEDURE DOCUMENT:**
- **POLICY AND STRATEGIES**
- **Large Borrowal Framework (LBF) : (To address Concentration Risk)**
- A borrower shall be referred to as the **'Specified borrower'**, if the Aggregate Sanctioned Credit Limit is more than Rs.10,000 crore.
- **Permissible Lending Limits for the Banks**: Half of incremental capital funds sourced over and above the specified limit by the borrower is permissible limit for lending by Bank, i.e. Normally permitted Lending Limit (NPLL) means 50% of incremental funds raised by the specified borrower over and above its specified limit (Rs.10,000 cr) in the succeeding financial year, in which the reference date falls.

LARGE EXPOSURE FRAMEWORK

To address the concentration risk

- **Definition of a LARGE EXPOSURE** :
- All exposures of Bank to counterparty or group of connected counterparties is equal to or above **10 percent** of the bank's **eligible capital base (T1)**
- **The Large Exposure limits**
- **Single Counterparty : The sum of all the exposure values of a bank to a single counterparty must not be higher than 20 percent of the bank's available eligible capital base (Tier 1 capital) .**
- **In exceptional cases, Board of Banks may allow an additional 5 percent exposure of the bank's available eligible capital base**

Groups of Connected Counterparties (Group):

- Not be higher than **25 percent** of the bank's available eligible capital (**Tier 1 capital**) base at all times.
- **The interbank exposures**, except intra-day interbank exposures, will be subject to the large exposure limit **of 25% of a bank's Tier 1 capital**

Definition of connected counterparties :

- **Specific relationships or dependencies such that were one of the counterparties to fail, all of the counterparties would very likely fail.**

Group of connected counterparties :

- **Control Relationship, Economic Interdependance.**
- **If one of the counterparties to fail, all other counterparties would very likely to fail.**

Group : Definition:

- **The 'commonality of management' and 'effective control on the management' shall be the basis for determining a group/associate concern.**

Exposures to NBFCs :

- Banks' exposures to a single NBFC (excluding gold loan companies) will be restricted to **20%** of their eligible capital base.
- Banks' exposures to a **group of connected NBFCs** or group of connected counterparties having NBFCs in the group will be restricted to **25** percent of their Tier I Capital.
- Bank's exposure to a single NBFC, **having gold loans to the extent of 50%** or more of its total financial assets, shall be restricted to **7.5%** of Bank's capital funds.

Large exposures rules for global systemically important banks (G-SIBs) and domestic systemically important banks (D-SIBs) :

- G-SIB's exposure to another G-SIB is set at **15** percent of the eligible capital base
- A non G-SIB in India to a G-SIB in India or overseas will be **20** percent of the eligible capital base
- D-SIBs governed by Interbank exposures (ie 25% of T1 capital)

- Credit exposure ceiling for individual and non corporate borrowers: (Rs.in cr.)

Sl. No.	Category of borrower	Prudential Exposure ceiling(FB+NFB)
1	Individual borrowers for personal loans for Non business purpose (Other than schematic loans)	30
2	Individual borrower for Business Purpose & Proprietorship Concerns	75
3	Single entity with constitutionas Association & HUF	75
4	Single entity with constitution as Society & Trust	
	a) Educational Institutions & Hospitals	
	Low Risk	350
	Normal Risk	250
	Moderate Risk	200
	High Risk (not for fresh loans. Only for renewals)	125
	b) other than Educational Institutions and Hospitals	100
5	Partnership Concerns	125
6	Limited Liability Partnerships(LLPs)	125

Exposure ceiling for substantial exposure:

- **Substantial exposure limit, for this purpose, is the sum total of exposures assumed in respect of those single borrowers enjoying credit facilities in excess of 10% of capital funds.**
- **RBI had also indicated that the substantial exposure limit could be fixed at 600% or 800% of the capital funds.**
- **Unsecured exposure** is defined as an exposure where the realisable value of security, as assessed by the Bank / approved valuers / the RBI's inspecting officers is not more than **10% ab-initio**, of the outstanding exposure.

VARIOUS EXPOSURE CEILINGS PRESCRIBED BY BANK FOR 2024-25

- **The ceiling for Intra-Group Transactions and exposures for the FY 2024-25 is enhanced to Rs.13500 Crores (CIR 461/2024)**
- Exposure to Single Borrower : Rs18,500 cr. Group Borrower: Rs.23,000 cr.(cir 485/2024)
- Exposure to Unsecured Advances excluding Govt & PSU: Rs2,00,000 crores (cir 484/2024)
- Global Exposure Ceiling to various industrial sectors (Domestic + Overseas) Rs 5,35,000 for the FY 2024-25 (cir 486/2024)

- for TL O/S for FY 24-25 is enhanced to Rs. 6,60,000 Crores (cir 466/2024)
- Non Fund Based (NFB) Exposure ceiling for the FY 2024-25 Rs.1,50,000 Crores (cir 468/202STCL Rs.50,000 crores Unsecured STCL 40,000 crores (cir 462/2024)
- The ceiling 4)
- Substantial Exposure Ceiling For The Year 2024-25. (Rs.1,40,000 Cr) (cir 470/2024)
- Exposure Ceiling For Real Estate Sector For FY 2024-25 (Rs.2,00,000 Cr)cir 471/2024)
- Exposure Ceiling For Capital Market And Its Sub Segments For The Fy 2024-25 : Rs.11,500 Crore (Cir 472/2024)
- Exposure to Service Sectors Rs. 1,50,000 Crores (other than NBFCs, CRE, capital market) cir 473/2024
- Aggregate global exposure ceiling for NBFC sector fixed at Rs. 1,55,000 Crore
- Exposure to NBFC Gold Loan Cos. restricted at Rs. 3500 Crores
- Global exposure ceiling for Public Financial Institutions : 40,000 crores
- Exposure to State Governments: Rs.1,75,000 crores(cir 478/2024)

LOANS AND ADVANCES AGAINST SHARES

- **To individuals** from the banking system shall not exceed the limit of **Rs.20 lakh** per individual if the securities are held in **demat form**.
- Not exceed the limit of **Rs.10 lakh for subscribing to IPOs**.
- The Bank may extend finance to employees for purchasing shares of their own companies under **ESOP** to the extent of **90%** of the purchase price of the shares or **Rs.20 lakh**, whichever is lower (not for bank employees for acquisition of their bank's shares)

Overdraft against property to stock brokers :

- Bank may permit overdraft facility against mortgage of property with **40% margin** on the market value of the property offered as security.
- In terms of **Section 19(2) of the Banking Regulation Act, 1949**, Bank shall not hold shares in any company except as provided in sub-section (1) whether as pledgee, mortgagee or absolute owner, of an amount exceeding **30 percent** of the paid-up share capital of that company or **30 percent** of its own paid-up share capital and reserves, whichever is less
- Further, in terms of **Section 19(3) of the Banking Regulation Act, 1949**, Bank shall not hold shares whether as pledgee, mortgagee or absolute owner, in any company in the management of which any managing director or manager of the Bank is in any manner concerned or interested

Ceiling in respect of exposure to other banks :

- **For Public Sector Banks – as per Large Exposure Framework.**
- **In respect of co-operative banks, based on Gradation Matrix approach and restricted to 25% of Regulatory Capital (Tier I + Tier II Capital) of the co-operative banks. CRAR of the said Bank is not less than 9%for Tier 1 UCBs and not less than 12% for Tier 2 to 4 UCBs.**
- In respect of **Private Sector Banks** and non-prime foreign banks, Bank shall provide need based credit facilities, if their **TNW is Rs.1000 cr** and above as per latest ABS.
- The exposure to **Indian Joint Ventures/Wholly Owned Subsidiaries** abroad and Overseas Step down Subsidiaries of Indian Corporates will be subject to a limit **of 20%** of the Bank's unimpaired capital funds
- **Ceiling for lending to Near Prime and Sub Prime borrowers on the fresh Retail sanctions**
- **Near Prime :** Maximum Ceiling is 10% of Retail loans sanctions during the year. (Trigger limit 9% for CRG; 8% for NON CRG)
- **For Sub Prime**: 5%. (trigger:4.5%; 4%)

OPERATIONAL PROCESSES AND SYSTEMS :

Pricing of credit

Sl. No.	Category of the Borrowers	Pricing based on
1	Exposures above Rs. 25 Crore	Grid Methodology
2.	Exposure above Rs.2 Crore & upto Rs. 25 Crore	Canara Internal Rating model (CIRM Model)
3.	i) Exposure above Rs.2 lakh and upto Rs.2 Crore to MSME & other sectors. i) Exposures above Rs.2.00 lakh and upto Rs 2.00 crore for agriculture & allied activities	Internal Rating (Small Value Model / Manual Model) Scoring Norms
4.	Retail Lending Products of the Bank	Schematic
5.	Exposure upto Rs.2 lakh	ROI as advised by the Bank from time to time

- The **concession in ROI/charges**, if permitted will normally be **coterminous** with original tenability of the sanction/till first extension (**3months**)of tenability.

Accounts where concessional ROI is permitted, if it slips to NPA, the ROI to be charged on such accounts shall be at the **Applicable Rate+2%** until the date of up gradation to Standard Asset

- On receipt of external/internal rating basing on ABS, pricing to be reviewed. If **deterioration of rating**, till review of pricing is completed, additional ROI to be charged (ranging from 0.5% to 1.5% depending on down gradation of rating)
- If **down gradation of rating by 2 or more notches**, **25% additional collateral** security shall be obtained with in 6 months of down gradation of rating. Otherwise, 1% additional interest shall be charged (in addition to above mentioned)(cir 477/2024)
- In case any **externally rated account moves to unrated category**, additional interest of **1.00% to be levied** over and above the contracted rate from the date of being treated unrated till the review of pricing is completed (cir 477/2024)
- **Concession in applicable Rate of Interest on account of upgradation of External/Internal Rating of the Borrower - Concession to be given for exposures above Rs. 7.50 Crores** without waiting for regular renewal/reset. **(only on up gradation of external rating)**

Canara Bank Proposal Rating – CBPR

- CBPR is the Credit scoring matrix framework.
- Applicable for **Corporate Loans**(FB+NFB), **MSME/AG-Food Processing Loans** of **Rs.10 cr and above**.
- Retail Lending, Restructured A/cs, Govt. Accounts exempted.
- **The scoring sheet is meant to be used as a pre sanction exercise**
- **Description of Rating Grades:**
- CBPR1: Low Risk; (score 0 to 20)
- CBPR 2:Normal Risk; (score 20-35)
- CBPR 3: Medium Risk (score 35-55)
- CBPR 4: High Risk (score 55-70)
- CBPR 5: Very High Risk(No Go) (score above 70)

High Risk assignment under CBPR:

- SMA-2 for past 3 months
- Interest coverage ratio less than 1
- CR less than 1 and
- no fresh infusion of capital.

Confirmation/Approval by Executives at RM Wing, HO:

Exposure	Confirming Authority	
	Upto CBPR – 3	CBPR-4 (High Risk)
All eligible accounts irrespective of amount	DM / AGM	DGM

- CBPR for proposals **above Rs.50 crores** confirmed by Individual authority at HO, shall be placed to Next Higher Authority for Review.
- **CBPR-5 NO GO** : Once assessed by RM Wing, HO, such proposal shall be placed before CGM/GM level committee for approval/review at HO.
- **NO AUTHORITY less than the MC of the Board can permit new/ fresh exposure / enhancement for proposal rated as NoGo**
- **Applicability of ESG & Climate Risk Parameters:** Environmental, Social, Governance (ESG) & Climate Risk related parameters are introduced in CBPR Model for Corporate Borrower`s having exposure >=50 Cr (FB + NFB) **(Weightage in Rating is : 10%)**

RISK RATING POLICY

Internal ratings and PDs (Probability of Default) are based on a **one year forward looking risk horizon.**

- **Review** on an **annual** basis .
- Listed Companies, High Risk borrowers: **Review Quarterly**.

CURRENT BORROWER RATING SYSTEMS

- **CIRM applicable for rating borrowers above Rs.2.0 crore where CIRM Hybrid model is not applicable.**
- **Above Rs.2cr to 7.5cr: For MSME, Traders & Agriculture, Allied activities irrespective of turnover : CIRM Hybrid model**
- For accounts with exposures above Rs**. 20 lakh and upto Rs. 2 crore :Manual Model**
- For accounts with exposures above Rs**. 2 lakh and upto Rs. 20 lakh** : **Small Value Model**
- For accounts with exposure **up to Rs 2 lacs** and some specific exposures having pool characteristics: **Portfolio Model** . (includes Retail Lending, Agriculture, ELs, Individuals where financial statements are not required)
- **Borrowers : New to Business** – not availed any credit facility from any Bank/FI
- **New to Bank**: Borrower availed credit facility from other Bank/FI and approaching our Bank for first time

- **Rating mapping** basing on score in SMV/MM: Above 85 : LRIII (MM1; SVM1) above 70 upto 85 : NR (MM2, SVM2) : >60 to 70: MR1 (MM3, SVM3) ; >40 TO 50: HR1 (MM5, SVM5)
- **Once borrower moves out from NPA, they shall be assigned High risk-III until next rating.**

CIRM Hybrid Model :

- **For borrowers' exposure above Rs.2 cr upto Rs.7.5 Cr**. Applicable for Mfg, Trading, Services, Ag & Allied where balance sheet available.
- The risk scoring is in the range of 0 to 11 where score of '11' is low risk & score of '0' is high risk
- Borrower who has slipped into NPA will be categorized as CNR-D.
- Audited balance Sheet shall be the basis for CIRM Hybrid Rating. (Balance sheet with revenue of minimum 12 months shall only be considered for risk rating
- Security coverage Risk weightage is 30% for existing Borrower and 35% for New Borrower.

CANARA INTERNAL RATING MODEL

For borrowers' exposure above Rs.2 cr – Other than under CIRM Hybrid model

- Manufacturing Sector(Turnover of 25cr or above): Large Corporate Module
- Manufacturing Sector(Turnover of below 25cr): SME Module
- Traders (Turnover of 25cr or above) : Large Trader Module
- Traders (Turnover below 25cr) : Small Trader Module
- NBFCs : NBFC Module

Confirmation/Approval of the Risk Rating shall be done by executives at RM Wing, Head Office (upto Miderate Risk)

- Exposure upto Rs.35 cr by DM/AGM; >35cr to 250cr: DGM; >250cr: CGM/GM
- (High Risk: NHA)
- Initiation of CIRM: 2 TO 35cr; RMsec CO/LCB/MCB.
- >35cr by CRRD.RM wingHO

Risk Category wise Weightages : For Existing Borrowers & (New Borrowers)

- Industry Risk : 5% (5%)
- Business & Management Risk : 15% (20%)
- Financial Risk : 35% (40%)
- Security Coverage Risk : 30% (35%)
- Conduct of Account Risk : 15% (NA)
- **Manual Model** (For rating borrowers with exposures **above Rs.20 lacs, upto Rs.2 crore**:
- For Industrial/Trader/Service Provider Accounts: Risk Grade CNR-MM 1 to 8
- For New to Bank / New Project : Risk Grade CNR-MM 1 to 8
- **Small Value Model** – For rating borrowers with exposures of **Rs.2 lakhs and upto Rs.20 lakhs:**
- Risk Grades CNR-SVM 1 to 8
- **Facility Risk Category** has been added in the Small Value Model and Manual Model Modules.

- **Facility Risk category** brings all the facility risk related parameters which are already present in the model under different risk categories
- The description of the last Grade (**SVM8 /MM8**) as default grade to be renamed as **"Highly Likely to Default"** and introduce a new grade - **SVMD and MM-D** which is assigned if the **account has become NPA as on rating date** Cir 557/2023)
- **Rating mapping of Risk Grades** and grades under Manual Model/Small Value Model:
- CNR MM1/CNR SVM 1: Low Risk LR III
- CNR MM2/CNR SVM 2 : Normal Risk
- CNR MM3/CNR SVM 3 : Moderate Risk - I
- CNR MM4/CNR SVM 4 : Moderate Risk – II
- CNR MM5/CNR SVM 5 : High Risk – I
- 6:HR2; 7:HR3, 8 : Default)

Risk Rating Process and confirmation of Rating

All credit proposals are subject to credit risk assessments by a team independent of credit origination team

- **For Small value and Manual Model, approval by concerned sanctioning authority as per delegation of powers.**
- **All LCBs, MCBs, Foreign Branches and Treasury – Section incharge, CRRD, RM Wing HO will verify the rating and Executive at HO RM Wing will approve basing on delegated powers.**
- **Upto 35cr: DM/AGM for upto moderate risk & DGM for HR and ECAI D.**
- **Rs.35 cr to 250 cr: DGM upto Moderate Risk, CGM/GM for HR and ECAI D.**
- **Above Rs.250 cr: CGM/GM for all.**
- MSME Sulabhs shall initiate Internal Risk Rating in LAPS for **loans of Rs.2 cr to 35 cr**.
- Section incharge of RM wing HO will review and confirmation by DM/AGM/DGM, RM Wing HO.
- For all accounts where exposure is **above Rs.35 cr**: **CIRM model**: initiation by CRRD, RM Wing, verification by section incharge of CRRD, RM wing.
- DM/AGM of CRRD, RM wing shall recommend internal risk rating and
- CGM/GM/DGM of RM wing, HO will approve.
- **Rs.2 cr to 35 cr: RM Sec CO will initiate at CO**
- Section incharge, CRRD RM Wing Ho verify
- DM/AGM/DGM/GM of RM Wing will confirm/approve.

Mapping of the CIRM and External rating:

External Rating of AAA, AA,A	: CIRM CNR-I to V:	Low Risk
BBB,	CNR – VI:	Normal Risk
BB,	CNR– VII, VIII:	Moderate Risk
B, C	CNR IX, X , XI :	High Risk
D	CNR-D:	Default.

- **Borrower who has slipped to NPA will be categorized as CNR-D.**

High Risk Triggers:

- Negative TNW
- NPA with other Banks
- Cash loss from past 3 years
- Auditor's comment on going concern.
- **If one of the above triggers, it is HR1, Two triggers: HR2, Three/Four triggers: HR3.**
- The **PD estimation** process is based on historical default experience covering a minimum period of **5 years**
- LGD estimation process needs to be based on analysis of recoveries of historical defaults and related costs, covering a minimum period of **7 years** (for **retail loans, it is 5 years**).

Validity of Internal Credit Risk Rating (Annual Obligor Rating)

- **The credit risk rating of a borrower shall become overdue for updation after the expiry of 15 months from the month of confirmation of rating or 18 months from the date of signing the balance sheet by auditors based on which credit risk rating was assigned, whichever is earlier.**
- **No credit decisions after expiry.**

Retail Risk Rating System Design

- Basing on Scorecard. Borrowers scoring **more than 70%** are considered to be **investment grade.**

Scope of application of External Ratings

- Exposures with contractual maturity **upto 1 year : Short Term Ratings**
- **Beyond 1 year and OD/OCC accounts** , Overseas exposures : **Long Term Ratings**

FACILITY RATING (Cir 589/2024)

As per RBI guideleiens, a qualifying Internal Ratings Based rating system must have two separate and distinct dimensions ie

- The risk of **borrower default** (**Borrower Rating**) – Reflects Borrower's default – Probability of Default (PD)
- **Transaction-specific factors (Facility Rating**) - express LGD (Loss Given Default) must reflect transaction-specific factors, such as **collateral, seniority, product type etc. – Reflects Economic Loss**
- Facility rating is useful as input tool for **loan approval and loan sanctioning**
- Facility rating is applicable for **corporate exposure above 7.5 crores** (FB + NFB)
- Facility rating is to be carried on annual basis preferable along with Canara Internal Rating Model (CIRM) rating
- The Competent Authority, who is empowered to confirm CIRM Rating is also empowered to confirm Facility rating irrespective of Facility rating grade.
- Score Range and assignment of Grade in 11 grade Rating Scale in line with CIRM
- **LGD is assumed to be constant at 90% for the PD/LGD approach.**

CREDIT RISK MEASUREMENT UNDER STANDARDISED APPROACH OF BASEL III FRAMEWORK

- Claims on Domestic Sovereign (Central Govt.) State Govt., and claims on RBI, DICGC, CGSME/CGTSME/ CRGFTLIH/CGFMU : **0 percent risk weight**
- Claims guaranteed by State Govt., Claims on ECGC : **20% Risk Weight**.
- **Claims on Foreign Sovereigns:** Based on ECAI Rating . AAA/AA: 0%, A: 20%; BBB/Baa: 50%, BB to B/Ba to B: 100%, Below B: 150%, Unrated: 100%
- **Claims on Public Sector and Corporates: LONG TERM:** ECAI Rating : AAA: 20%, AA: 30%, A:50%, BBB: 100%, BB and below: 150%, Unrated: 100%
- **Claims on Bank for International Settlements (BIS), IMF and Multi lateral Development Banks:** 20% Risk Weight

- **Risk Weights assigned for SHORT TERM Rating:** A1+ :20%, A1:30%, A2: 50%, A3: 100%, A4 & below:150%, Unrated:100%
- **Exposures on Banks in India**, basing on **CET1+CCB ratio** : 20% if it maintains applicable CET1+CCB.
- **Claims on Unrated corporate**, AFCs and NBFC-IFCs having aggregate exposure of **more than INR 200 crore** from banking system will attract a risk weight of **150%**.
- **Claims >100 cr earlier rated** and now became **unrated: 150%**
- **Exposures to Core Investment Companies (CICs) will continue to be risk-weighted at 100%.**

Regulatory Retail : **Risk Weight 75%** (other than NPAs)

- **Orientation Criteria**: Turnover less than **Rs.50crores** (last 3 years/ 3 years average)
- **Product Criteria** : Small business loans, ELs etc.
- **Granularity Criteria**: Aggregate exposure to one counterpart should not exceed **0.2%** of the overall regulatory retail portfolio of the Bank
- **Low value of individual exposures**: The maximum aggregate retail exposures to one counterpart should not exceed the absolute threshold limit of **Rs. 7.5 Crore**.

Claims secured by Residential Property

Housing loans sanctioned on or after 16.10.2020 and upto ***31.03.2023*** shall be as under:

LTV Ratio (%)	Risk Weight (%)	Standard Asset Provisioning (%)
Less than or Equal to 80 >80 and less than or equal to 90	35 50	0.25

- **Housing Loans sanctioned after 01.04.2023**

Loan Amount	LTV Ratio (%)	Risk Weight (%)	Standard Asset Provisioning (%)
Upto Rs.30 lakhs	Upto 80%	35	0.25
	>80% to 90%	50	0.25
Rs.30 to 75 lakhs	Upto 80%	35	0.25
Above 75 lakhs	**Upto 75%**	**50**	0.25

- **Claims classified as Commercial Real Estate exposure**

Category	LTV Ratio (%)	Risk Weight (%)	Standard Asset Provisioning (%)
CRE-Residential Housing (RH)	NA	75	0.75
Commercial Real Estate (CRE)	NA	100	1.00

- **Non Performing Assets (NPAs)** The unsecured portion of NPA (other than residential mortgage loans) net of specific provisions:

Sl. No.	Specific Provision as % to O/s NPA	Risk Weight (%)
1	Less than 20%	150
2	Atleast 20%	100
3	Atleast 50%	50

- If **NPA is secured by Land & Building**, Plant & Machinery: 100% risk weight may apply, net of specific provisions, where provisions reach 15% of the outstanding amount.
- **Claims secured by residential property**, which are NPA will be risk weighted at 100% net of specific provisions.
- If the specific provisions of such loans are at least 20% but less than 50% of the outstanding amount, the risk weights applicable to the loan net of specific provision would be 75%.
- If the specific provision is 50% or more, the applicable risk weight will be 50%.
- Fund based and non fund based claims on **Venture Capital Funds** will attract **risk weight of 150%.**
- **Consumer Credit** including Personal Loans but excluding Credit Card Receivables : **125%.** **Credit Card** receivables: **150%**
- **Capital Market** exposures will attract a **125% risk weight**
- Claims on rated as well as unrated Non Deposit taking systemically important NBFCs **(NBFC-ND-SI)**, other than AFCs and IFCs, **regardless of the amount of claim shall be uniformly risk weighted at 100%.**
- Loans and advances to **Banks' own staff** which are fully secured by superannuation benefit and/or mortgage of flat/house will attract **20%** risk weight. Other loans and advances of bank's own staff will be eligible for inclusion under regulatory retail portfolio and will therefore attract **75% risk weight**.
- In the case of **Clearing Corporation of India Ltd. (CCIL)**, the risk weight will be **20%**

BASEL RECOGNIZED SECURITIES/COLLATERALS

Cash Margin, Bank Deposits, Gold Jewellery, NSC/KVP, Insurance Policies, State Govt Central Govt Securities, Units of Mutual Funds, Debt securities.

BASEL RECOGNISED GUARANTEES:

- Guarantee by Central Govt, State Govt, Scheduled Banks, CGTMSE,
- ECGC, CRGFTLIH, CGFSEL, CGFMU, CGFSSD, NCGTC.
- As per **CRGFTLIH scheme of NHB** (National Housing Bank), the guarantee coverage for the eligible borrowers is as follows:
- HLs to Individuals upto Rs.2 Lacs: 90% of default/sanctioned amount.
- 2 to 8 lacs: 85% of default/sanctioned loan amount (whichever less).
- For **Education Loans** Guaranteed by Credit Guarantee Fund Scheme for Education Loans (**CGFSEL**) under IBA's Model Education Loan scheme upto limit of **Rs. 7.50 lacs** the risk weight will be **NIL** and **capital provisioning will not be required.**

COLLATERAL MANAGEMENT POLICY

INSPECTION OF SECURITIES

- Stock inspection shall be carried out **every month** at irregular intervals.(SA may modify)
- The unit / business premises wherever **Term loans** are granted shall be inspected **every quarter.**
- The RC Book / Tax paid receipts in respect of **vehicle loans** granted shall be inspected once **every year**
- For a **collateralised transaction**, the exposure amount after risk mitigation is calculated. The exposure amount after risk mitigation will be multiplied by the risk weight of the counterparty to obtain the **risk-weighted asset** amount for the collateralised transaction
- Banks may apply a **zero haircut** for eligible collateral where it is **National Savings Certificate, Kisan Vikas Patras, surrender value of insurance policies and banks' own deposits**.

STOCK AUDIT/VALUATION OF SECURITIES BY VALUERS IN BANK'S PANEL

- In case of Low Risk & Normal Risk – **Rs.5.00 Cr and above, once in a year**
- Moderate/High Risk- **Rs.1.00 Crore** and above, once in a year.
- Sub Standard & Doubtful Assets – **Rs.1 cr** and above: Once in **2 years**.
- Doubtful Assets – **Rs.5 cr** and above: **Once in a Year**
- Stock Audit is exempted for the accounts covered under monitoring by **Agencies for Specialised Monitoring** (ASM),(**Exposure Rs.250 cr and above**)
- Closure of stock audit reports through SAS package by CO/HO

The **FIXED ASSETS** of the borrower, viz., land and building, plant & machinery, etc :

- Valuation Once in **3 years**.
- In respect of fixed assets (primary/ collateral), mortgaged to loan accounts (classified as standard assets) under all **Housing Loan** variants, Canara Mortgage, Canara Rent, Canara LRD & Canara Site where loan outstanding is **Rs. 50 lakhs or above**, revaluation of property has to be undertaken through the empanelled valuers once in **every five years.(cir 801/2023)**
- Valuation of properties(Land and Building) of **RS.5 cr and above**: Bank shall obtain minimum **2 independent valuation reports** from 2 empanelled valuers

Valuation of only the landed property without any superstructure

- The **acquisition cost** as per registered sale deed may be considered as cost of land, if it is acquired with in preceding one year.
- If acquired beyond one year, **85% of Fair Market Value** to be considered.
- If property is acquired by way of **Gift Deed/will/settlement deed**: **Guideline rate** from Sub Registrar Office to be considered, if acquired with in 12 months.
- Beyond 12 months, normal guidelines.

VALUATION OF SUGAR STOCKS

- Unreleased stocks of **levy sugar**: Levy price fixed by Govt.
- **Free sugar** including buffer stocks: Average price in preceding **3 months**/ current market price which ever is lower, excluding excise duty.

AGRICULTURAL LANDS/ PLANTATIONS

- Valuation of agricultural lands with structures (like farm house/poultry sheds) to be taken **once in 3 years**
- In case of lands without any structures, in view of dynamic status of productivity, **once in 5 years**
- AEOs and AEO Promotee Managers - Agricultural loans upto a **limit of Rs 30.00 lakh**
- Other Managers-Agricultural loans upto a **limit of Rs.20.00 lakh**
- Independent valuation reports from **2 empanelled valuers** in respect of loan accounts where the value of the property (Land & Building) is Rs **5 crore** & above.

Additional Guidelines:

- It is suggested that minimum gap between two valuations should be **three years**.
- If carried out at frequency **lesser than 33 months** then value of property shall be taken at **85% of the present value** of the property (latest valuation)
- and valuation shall be carried out by valuer other than the valuer who had given the earlier report.

END