

DCB Bank Ltd. Policy on Resolution Framework 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses**Part A
Resolution of advances to individuals and small businesses**

1. The following categories of borrower's / credit facilities **shall not be eligible** for a resolution plan under this framework:

- a) MSME borrowers whose aggregate exposure to lending institutions collectively, is INR 25 crore or less as on March 1, 2020.
- b) Farm credit as listed in paragraph 6.1 of Master Direction FIDD.CO.Plan.1/04.09.01/2016-17 dated July 7, 2016 (as updated) or other relevant instructions as applicable to DCB Bank Ltd.
- c) Loans to Primary Agricultural Credit Societies (PACS), Farmers' Service Societies (FSS) and Large-sized Adivasi Multi-Purpose Societies (LAMPS) for on-lending to agriculture.
- d) Exposures to financial service providers as defined in sub-section (17) of Section 3 of the Insolvency and Bankruptcy Act, 2016.
- e) Exposures to central and state governments; local government bodies; and body corporate established by an act of parliament or state legislature
- f) Credit facilities provided to employees of DCB Bank Ltd. shall not be eligible for resolution under this framework.

2. Eligible Borrowers:

a. Individuals who have availed of personal loans (as defined in the Circular DBR.No.BP.BC.99/08.13.100/2017-18 dated January 4, 2018 on "XBRL Returns – Harmonization of Banking Statistics"), excluding the credit facilities provided by lending institutions to their own personnel/ staff which inter alia covers:

- Housing and other related loan
- Loan against immovable properties (Mortgage Loan)
- Gold loan
- Auto loan
- Loan against fixed deposit (including FCNR(B)), shares and bonds etc.
- Personal loan
- Education loan
- Loan given for investment in financial assets (shares, debentures, etc.)
- Loan given for other consumptions purposes (e.g., social ceremonies, etc.)

Please note that these loans for being eligible should have been given for other than business purposes.

b. Individuals who have availed of loans and advances for business purposes and to whom the lending institutions have aggregate exposure of not more than INR 25 crore as on March 31, 2021.

c. Small businesses, including those engaged in retail and wholesale trade, other than those classified as micro, small and medium enterprises as on March 31, 2021, and to whom the lending institutions have aggregate exposure of not more than INR 25 crore as on March 31, 2021.

Subject to that:

- the borrower accounts should not have availed of any resolution in terms of the Resolution Framework – 1.0 subject to the special exemption in **para 11** mentioned below in this document.
- the credit facilities/ investment exposure to the borrower was classified as Standard by DCB Bank Ltd. as on March 31, 2021.

Accounts which do not fulfill the required eligibility conditions to be considered for resolution under this framework may continue to be considered for resolution under the Prudential Framework of circular dated June 7, 2019.

3. Date of Invocation:

The date of invocation shall be the **date on which both the borrower and DCB Bank Ltd. have agreed to proceed with the efforts towards finalising a resolution plan** to be implemented in respect of such borrower.

The decision on the **borrower's application (in writing)**, after assessment under this framework, shall be communicated **in writing**, to the applicant by DCB Bank Ltd. **within 30 days of receipt of such an application**. The date of such communication by DCB Bank Ltd. will be treated as **"Date of Invocation."**

4. Last date for invocation:

September 30, 2021

5. Implementation process and its timelines:

The resolution plan shall be deemed to be implemented only if all the following conditions are met:

- All related documentation, including execution of necessary agreements between DCB Bank Ltd. and borrower and collaterals provided, if any, are completed in consonance with the resolution plan being implemented.
- The changes in the terms of conditions of the loans get duly reflected in the books of DCB Bank Ltd. and
- Borrower is not in default with DCB Bank Ltd. as per the revised terms.

Any resolution plan implemented in breach of the above stipulated timeline shall be fully governed by the Prudential Framework.

The resolution plan should be finalised and implemented **within 90 days from the date of invocation** of the resolution process under this framework.

6. **"Prudential Framework"**: Wherever used in this note, refers to RBI Circular on "Prudential Framework for Resolution of Stressed Assets) Directions 2019, dated June 7, 2019"
7. This part shall be applicable to resolution of advances sanctioned to **individuals and small business** borrowers by DCB Bank Ltd.

The resolution plan shall be invoked and implemented as per timelines mentioned in point 3, 4 & 5 above.

8. The resolution plans may inter alia include -

- **Rescheduling of payments:**
 - For **Mortgage & Home Loan** - we provide tenor upto 180 months (15 years) and 300 months (25 years) respectively to the customer and to give them relief we may have to extend upto additional **2 years over and above the balance tenor at the time of reschedulement**, of repayment period under this resolution plan.
 - For **Gold loan:**
 - **Term Loan** - we provide tenor upto 60 months (5 years) to the customer and to give them relief we may have to extend upto additional **2 years over and above the balance tenor at the time of reschedulement**, of repayment period under this resolution plan.
 - **OD** - interest deferral for maximum 12 months (1 year) to be paid over maximum tenor of 24 months (2 years) thereafter, **by way of a separate credit facility** whose installment will be debited into the OD account only.

- For **Personal loan** @@ – we provide tenor upto 60 months (5 years) to the customer and to give them relief we may have to extend upto additional **2 years over the balance tenor at the time of reschedulement**, of repayment period under this resolution plan.
@@ Here Personal Loan mean Unsecured Personal Loan product.

- **Conversion of any interest accrued, or to be accrued, into another credit facility across all eligible retail products offered by the Bank.**
 - **CC/OD** - interest deferral for maximum 12 months (1 year) to be paid over maximum tenor of 24 months (2 years) thereafter, **by way of a separate credit facility** whose installment will be debited into the CC/OD account only.
- **Granting of moratorium across all eligible retail products of the Bank** - subject to a **maximum of two years**. Upon completion of the moratorium period, interest accumulated during the moratorium period, to be added to the principal and balance tenor of the Loan to be enhanced by a maximum of 2 years by increasing the monthly repayment accordingly. The moratorium period, if granted, shall come into force immediately upon implementation of the resolution plan.

Please note, that any or all of the aforementioned three reliefs can be extended to the borrowers at the same time as long as the overall extension in balance tenor is not more than 24 months (2 years).

9. All the above will be done based on an assessment of income streams of the borrower and the overall tenor of the loan will also get modified commensurately.

The Bank will ensure that the resolution under this facility is extended only to borrowers having stress on account of Covid19.

- In the case of salaried customers – loss/ reduction/ suspension of salary including delayed payment, job loss/ permanent or temporary closure of business of the employers are some of the reasons of the customer becoming eligible for the relief.
- In the case of self-employed (individuals & small businesses) – professionals/ businessman customers – temporary/ permanent closure of business. Closure during lock-down/ reduced activity of units/ shops/ business establishments are some of the reasons of the customer becoming eligible for this relief.
- If any of the customers or their family members have suffered with bereavement/ suffering due to Covid-19 with or without hospitalisation also will become eligible under this relief.

The reduction of income and its financial impact on the customer will be reviewed by the Bank basis the documents/ information provided, which does show the drop in income/ cash flow. The Bank will assess the viability of the customer to pay the restructured EMIs basis discussions, past track and/ or documents provided, before granting the restructuring.

Salary slips/ bank statements in the case of salaried customers, and business bank account statements/ GST returns/ self-declaration that the business is affected by Covid-19, etc., in the case of self-employed customers are some of the documents which may be required by the Bank for assessment.

10. The instructions contained in the circular DOR.No.BP.BC/13/21.04.048/2020-21 dated September 7, 2020 on “Resolution Framework for COVID-19 Related Stress – Financial Parameters” shall not be applicable to resolution plans implemented under this window.

11. **Convergence of the norms for loans resolved previously.**

In cases of loans of borrowers specified in clause 2 (of this document) where resolution plans had been implemented in terms of the Resolution Framework – 1.0, and where the resolution plans had permitted either no moratorium or moratorium of less than two years and/ or extension of residual tenor by a period of less than two years, then under this window it is permitted to modify such plans only to the extent of increasing the period of moratorium/ extension of residual tenor subject to the caps mentioned in clause 8 (of this document), and the consequent changes necessary in the terms of the loan for implementing such extension. The overall caps on moratorium and / or extension of residual tenor granted under Resolution Framework – 1.0 and this framework combined, shall be two years.

Part B

Working capital support for: (i) individuals who have availed of loans for business purposes, and (ii) small businesses, where resolution plans were implemented previously.

12. In respect of borrowers specified at sub-clauses (b) and (c) of Clause 2 above where resolution plans had been implemented in terms of the Resolution Framework – 1.0, Bank is permitted, as a one-time measure, to review the working capital sanctioned limits and / or drawing power based on a reassessment of the working capital cycle, reduction of margins, etc. without the same being treated as restructuring. The decision with regard to above shall be taken by Bank by September 30, 2021, with the margins and working capital limits being restored to the levels as per the resolution plan implemented under Resolution Framework – 1.0, by March 31, 2022.

13. The above measures shall be contingent on the Bank satisfying itself that the same is necessitated on account of the economic fallout from Covid-19. Further, accounts provided relief under these instructions shall be subject to subsequent supervisory review with regard to their justifiability on account of the economic fallout from Covid-19.

Subject to that:
the credit facilities/ investment exposure to the borrower was classified as Standard by DCB Bank Ltd. as on March 31, 2021.
