



# M.C.C. BANK BULLETIN

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## *112 successful years of dedicated service*



# Congratulations



**Sahakara Ratna**

**Mr ANIL LOBO**

Chairman, MCC Bank Ltd

***Heartiest congratulations to you***

***on receiving the prestigious***

***'SAHAKARA RATNA'***

***Award 2023 conferred by Govt of Karnataka.***





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Mr David D'Souza Director

Mrs Irene Rebello Director

Mr Deril Lasrado Senior Manager

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## MCC BANK LTD

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## Editorial



### *MCC- Financially Sound and Well Managed Bank*

The year 2023 is a great milestone in the 112 years of history of the bank. During the FY 2022-23 the bank has earned a record net profit of Rs.10.38 crore, with a total deposit of Rs.577.95 crore an increase of 8.62% over the previous year. The total advances touched Rs.355.30 crore recording an increase of 8.14% over the previous year. The working capital reached Rs.684.31 crore (growth of 11.26%) and the share capital reached Rs.27.36 crore (growth of 48.45%) as on 31.03.2023. The NPA of the Bank has been reduced to 1.37%. In this September the team lead by Mr Anil Lobo won un opposed which is first time in the history of the bank.

The growth was on the foundation of steady financial practice the Return on Assets (ROA) of the Bank stood at 1.54%. The CRAR is 20.45% against the RBI requirement of 9%. Bank has achieved the business turn over 1000 crores in December 2023 which was 500 crores 5 years ago. According to the revised guidelines of RBI and latest inspection report our Bank has fulfilled all the criteria and classified as Financially Sound and Well Managed bank (FSWM).

Our Chairman Mr Anil Lobo, has received the prestigious state level 'Sahakara Ratna' award for the year 2023 on 20.11.2023 at Vijayapura from Government of Karnataka. He is the first person from Christian community to receive such award. It a feather in the cap for MCC Bank and a testament to his leadership.

Soon new branch will be opened at Brahmavar and business will be extended to entire Karnataka.

I request the co-operation of all to take the bank to further height.

- Dr Gerald Pinto, Editor

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**ANNUAL GENERAL MEETING 24-09-2023**



## Chairman Speaks...



Dear Friends,

'We should just be thankful for being together. I think that's what they mean by Thanksgiving', says Chrlie Brown; Of course I am thankful to all of you for having reelected our team to the Board of Directors of this esteemed Bank, unopposed. All the members of the Bank through their representatives, the members of the Board of Directors, elected me as the Chairman of the Bank for the second consecutive term, I am humbled at this show of confidence in me.

It is always joyful to communicate with you, because its your presence and communication makes us feel confident and motivated. Filled with the zeal brought in by you, we have been marching forward. I am very happy to inform you that the bank is planning to step forward in its journey in modernization.

We will be, soon, issuing personalized cheque books to our valued customers. We hope to see the delight at the face of our esteemed customers when they receive the personalized cheque book sent directly to their mailing address.

By the end of the last month of coming new year, i.e. January 2024, our customers will be using the first passbook printing kiosk of our bank at our Founders branch and will get their passbook updated under their own care. Our bank will soon have a Cash Recycler (E-lobby) for deposit of funds at our Founders branch, by this the ATM of the bank will never dry out of cash and the esteemed customers will not have to face botherations.

After a wait of around twenty long years and having over come the hurdle of NPA minimization we have got the sanction of Reserve Bank of India to start new branches. The Management will never let go this golden opportunity. By March 2024 a branch of the Bank will be opened at Brahmavar. We have alredy submitted proposal for sanction of three more branches which we hope the RBI will consider positively. We plan to reach to the number of 20 branches by the end of next financial year.

Having received the 'Sahakara Ratna', a prestigious award in the filed of Co-operative Movement, I feel responsible and duty bound to serve the Bank better. I dedicate this award to all the stakeholders of the Bank.

We are coming to the end of this graceful year 2023. I wish you a Very Happy Christmas 2023 and Joyful as well as Graceful New Year-2024.

**- Anil Lobo**  
Chairman



## 77th INDEPENDENCE DAY CELEBRATION 15-08-2023



MCC Bank celebrated 77th Independence Day at the Administrative Office on 15.08.2023 with great enthusiasm and patriotic fervour. Rev. Fr Bonaventure Nazareth, Parish Priest of Our Lady of Milagres Church, celebrated the Holy Mass on this occasion.

After the Holy Mass, the Independence Day Celebration program began with a prayer song led by Karen Crasta and team.

Chairman, Mr Anil Lobo presided over the programme. Mr Sunil Kumar Bajal, social activist, Chief Guest of the day hoisted the Flag. He emphasised the need for unity among the citizens of this great nation which has a culture of unity in diversity. He urged the gathering, especially the youth to preserve the sanctity of the constitution and strive for uplifting the

poor and marginalized sections of the society to achieve the real essence of freedom.

While welcoming the gathering, Chairman Mr Anil Lobo said that for the first time the Bank celebrated Independence Day

on the occasion of "Azadi Ka Amrit Mahotsav" last year. He said that the Bank is continuing the tradition of celebrating the Independence Day, which is a day to remember and honour millions of freedom fighters who laid their life for the sake of nation's freedom.

Mr David DSouza, Mr Herald Monteiro, Mr J P Rodrigues, the directors who celebrated their birthday in the month of August were felicitated during the occasion. Mr Maxim Lasrado who celebrated his birthday on 14th of August was also felicitated.

On this occasion, the staff members sung patriotic songs with lot of zeal and enthusiasm.

## THE TEAM LED BY MR ANIL LOBO ELECTED UNOPPOSED TO THE BOARD OF DIRECTORS OF MCC BANK - TO LEAD THE BANK TILL 2028



The election process for the Board of Directors of MCC Bank which started on 13.08.2023 with the submission of nominations by 14 candidates, ended with the declaration by the Returning Officer, Shri Sudhir Kumar. J, Assistant Registrar of Cooperative Societies, Mangalore, on 21.08.2023 that all the 14 candidates have been elected unopposed, after due verification of the nomination papers on 20.08.2023 and after ensuring the availability of required quorum for the formation of Board of Directors.

Since all the 14 candidates who had submitted their nomination papers for the Board of Directors of MCC Bank have been elected unopposed, the election scheduled for electing the directors for the Board on 27.08.2023 was cancelled.

Thus, the control over the affairs of the Bank, which has 111 years of history and the leading Urban Cooperative Bank in

the twin districts of Dakshina Kannada and Udupi district, has gone in favour of the team led by the present Chairman, Mr Anil Lobo for the next 5 years. This is the first time in the history of the Bank that the team of directors have got elected unopposed.

The team led by Mr Anil Lobo includes Dr Gerald Pinto, Kallianpura, Mr Roshan Dsouza, Mudipu, Mr Herald John Monteiro,



Kelarai, Mr Joseph M Anil Patrao, Derebail, Mr David Dsouza, Bajpe, Mr Melwin Aquinus Vas, Mangalore, Mr J P Rodrigues, Puttur, Mr Andrew Dsouza, Moodbidri, Mr Elroy Kiran Crasto, Gangolli, Mr Jerald Jude DSilva, Karkala, Mr Vincent Anil Lasrado, Bantwal, Mrs Irene Rebello, Kulshekar and Dr Freeda Flavia Dsouza, Balkunje



## ANIL LOBO RE-ELECTED AS CHAIRMAN OF MCC BANK FOR CONSECUTIVE 2ND TERM



**Elected directors** of The Mangalore Catholic Co-operative Bank, elected Mr Anil Lobo from Valencia, Mangalore as Chairman of the Bank in the first Board of directors Meeting held on Monday 28 August 2023, in the Administrative office of the Bank, Hampankatta, Mangaluru for



a period of 5 years from 2023 to 2028 Mr Jerald Jude Dsilva was elected as the Vice – Chairman of the Bank. Mr Sudhir Kumar J, Assistant Registrar of Co-operative Societies, Mangaluru Division supervised the election processes and Mr N.J. Gopal Superintendent assisted him.

## INAUGURATION OF NEW PREMISES OF ASHOKNAGAR BRANCH 09-09-2023



For the convenience of the esteemed customers of the Bank, the Ashoknagar branch of MCC Bank Limited was shifted to the fully air-conditioned premises with ATM facility located on the ground floor of Parijatha complex, Near Kavitha Residency, Urwa store, Mangalore on 09.09.2023. The inauguration programme was presided



over by the Chairman of the bank, Mr Anil Lobo.

The new premises of Ashoknagar branch was inaugurated by Rev. Dr J B Saldanha, PRO, Mangalore Diocese.

ATM was inaugurated by Rev. Fr Joseph Martis, Parish Priest, Most Holy



Redeemer Church, Derebail. Safe Room was inaugurated by Rev. Fr Benjamin Pinto, Parish Priest, Immaculate Conception Church, Urwa.

Mr Francis Alfred Concessao, Proprietor, Concessao Enterprises, Alake, Mangaluru, the Guest of Honour inaugurated E-Stamp facility.

Rev. Fr Dilip Veigas, OP, Asst. Parish Priest, St Dominic Church, Ashoknagar blessed the new premises and the ATM.

Mr Anil Lobo, Chairman of the Bank, in his presidential address informed the gathering that the assurance given by the management at the customer meet held last year that the branch will be shifted to a more convenient location has been fulfilled. He also assured the customers about the safety and security of the funds with the bank, as

the bank is regulated by the Reserve Bank of India and the deposits are insured by DIGCC.

Rev. Dr J B Saldanha, who inaugurated the new premises, congratulated the Chairman and his team for shifting the branch to a more convenient location with ATM facility. Rev. Fr Joseph Martis, while addressing the gathering, congratulated the management for providing customer friendly ambience.

Mr Krishna Kaushal, owner of new premises, and Mr Karthik Kiran, civil engineer were honoured for providing the premises and the excellent work done at the new premises, respectively.

Mr Sushanth Saldanha, Branch Support Director of the branch welcomed the gathering.

## ANNUAL GENERAL MEETING 24-09-2023

The Bank has convened its 105th Annual General Meeting at Loyola Hall, St Aloysius P.U. College, Kodialbail, Mangalore, on Sunday, the 24th September 2023 at 11 am. The Chairman of the Bank, Mr Anil Lobo presided over the meeting.

The meeting started with the lighting of lamp by Chairman Mr Anil Lobo, Vice Chairman Mr Jerald Jude D'silva and Professional Director Mr C.G. Pinto and offering floral tributes to the Founder of the bank, P.F.X Saldanha by Chairman Mr Anil Lobo, Vice Chairman Mr Jerald Jude D'silva, Members Mr Allen C. Pereira (Ex Chairman of Bank of Maharashtra), Mrs Celestine Leena Monteiro, (Ex Senior Manager, Karnataka Bank) and Mrs Marjorie Texeira (Ex Senior Executive, HDFC Bank).

Tributes were paid to the members who passed away in the previous year. The meeting began with a prayer led by the staff.

In his welcome address the chairman said that M.C.C. Bank Ltd has performed extremely well under all the financial parameters during the Financial Year 2022-23. The Bank has earned an unprecedented net profit of Rs.10.38 Crore for the first time in the history of the Bank for the Financial Year 2022-23 as against the net profit of 8.27 Crore in the FY 2021-22.

While addressing the meeting the Chairman said that, "during the FY 2022-23 the bank has earned a record net profit of Rs.10.38 crore, with a total deposit of Rs.577.95 crore recording an increase of



8.62% over the previous year; the total advances of Rs.355.30 crore recording an increase of 8.14% over the previous year; working capital of Rs.684.31 crore (growth of 11.26%) and share capital of Rs.27.36 crore (growth of 48.45%) as on 31.03.2023. The NPA of the Bank has been reduced to 1.37% compared to the NPA percentage of 2021-22 at 1.62%. The provision coverage ratio stood at 78.87% of the total NPAs. The Return on Assets (ROA) of the Bank stood at 1.54%. The CRAR is 20.45% against the RBI requirement of 9%. The overall performance of the bank was highly satisfactory. He thanked all the customers, members, staff and well-wishers who were responsible for this achievement.

He thanked all the members of the Bank and well-wishers for their unstinted support and cooperation to the Bank and helped the Bank in achieving unprecedented growth in the FY 2022-23. He also thanked the staff members for their cooperation and excellent customer service offered by them at the branches. He explained the achievements of the Bank, i.e., upgrading the CBS software, digitalisation, shifting of DR site to the different seismic zone i.e., Bangalore, improving the ambience of the branches, conduct of customer meet at all the branches to receive the feedback

of the customers, shifting of Ashoknagar branch, expanding the area of operation to the neighbouring 5 districts and provision of education loans at 8.75 % interest to the youth. He also told the members that the bank has achieved 90 % of CKYC updating due to the cooperation of the esteemed customers of the Bank. He invited constructive suggestions from the members for the improvement of the bank. He said the unopposed re-election of the board has not only reposed faith but also imposed additional responsibility on the Board to achieve better results in the ensuing years. He emphasised the importance of discipline and strengthening the bank by improving various financial parameters like, Net worth, ROA, CRAR and Asset quality etc.

While explaining the future plans, he informed the members that the bank has already taken necessary steps towards expanding the area of operation to the whole state of Karnataka, establishment of E Lobby for the benefit of customers to deposit their cash and updating the passbooks, shifting of Surathkal, Moodbidri and Udupi branches to more convenient premises for the benefit of the customers, achieving higher turnover and profitability. He informed the members that the Board will come out with improved results in the next AGM, which will be held





in September 2024.

Vice chairman Mr Jerald Jude D'Silva read the minutes of the 104th AGM.

The audited financials of 2022-23, audit report and compliance, programme of activities for the financial year 2023-24 and budget for the year 2023-24, amendments

to the byelaws of the bank, were presented before the AGM and were approved. AGM approved 10% Dividend to the shareholders.

The Chairman answered/clarified all the queries raised by the members during the meeting and assured that the efforts would be made to implement their suggestions.

## CBS TRAINING 28-10-2023



The CBS training for all the staff of MCC Bank Ltd was conducted on 28.10.2023 at Pacific Hall, Ocean Pearl, Mangalore.

The training started at 9:30 am conducted by the Resource Person, Mr Prakash Poojary, Project Manager, Infracsoft Technologies Limited (CBS Vendor) Chairman Mr Anil Lobo, Mr Sunil I Menezes General Manager, Mr Raj F. Menezes DGM and all the staff members who were present for the training.

The First session of the workshop was conducted by the Resource Person, Mr Prakash Poojary on the topic 'Core Banking System and issues faced'. Multiple topics were discussed regarding the processing of core operating system. Questions raised on the doubts and difficulties faced by different staff while working have been provided detailed explanation and clarification. There was healthy discussion between the staff and resource person and most of the topic has been covered in the whole day session and everyone has actively participated.

The staff members who were celebrating their birthday in the month of October were felicitated by the Chairman.



## WORKSHOP ON “LOANS & ADVANCES” 14-10-2023



A workshop on “Loans and Advances” for Branch Managers and Loan officers was conducted on 14.10.2023 at the Staff training centre, Administrative Office, Mangalore.

The first session of the workshop was conducted by Mr Maxim Castelino, Credit Advisor on the topic ‘Assessment of Loan Proposals’. The format of 5 groups of loan applications (Housing, Mortgage, Education, MSME New venture and MSME existing Venture) were distributed

and explained how to fill it with different criteria.

The second Session was conducted by Mr Ajith Dsouza Accountant, on the topic ‘Repeated Flaws faced by the Credit Department’. He explain the Operational issues faced by the Credit Department

The third session was conducted by Mr Deril Lasrado, Senior Manager (Credit), on the topic ‘Credit Appraisal and Follow-up’. At the end of the training session a Feedback regarding the programme was collected from the staff.

## IT & CYBER SECURITY AWARENESS TRAINING 25-11-2023





As a part of providing necessary knowledge to the staff regarding the cyber security, half day training was conducted on 25th November 2023 at St. Anotony's Charity Institution, Jeppu, Mangalore.

Session was on the topic "Risk involved in New Age Banking", which included classification of risk, Cyber attack, Social

Engineering, phishing Mails. Explanation about Action points to be followed by the Staff to avoid the IT related Risks. At the end of this Session opportunity was given to the Participants to ask the questions regarding the topics explained. Feedback forms were distributed and collected from the Staff regarding Training.

## SAHAKARA RATHNA AWARD TO OUR CHAIRMAN



Mr Anil Lobo, chairman of the MCC Bank Ltd has awarded as 'Sahakara Ratna' state level award for the year 2023.

In a press release, the managing director of Karnataka State Co-operative Federation stated that the loyal leadership for co-operative movement in Dakshina Kannada and reaching out to the people through co-operative chain, has made Anil Lobo eligible for the award.

The award was presented to Mr Anil Lobo at the valedictory function of the 70th anniversary of the All India Co-operative Movement Week held in Vijayapura district on 20-11-2023.

Mr Anil Lobo, who was elected as the chairman of the MCC Bank Ltd for the second term, is known for his leadership and troubleshooting qualities in the co-operative movement. Under his chairmanship, the MCC bank witnessed a huge growth in its profit and expansion. He initiated various customer-friendly programmes and policies which were lauded by the people wholeheartedly.

Mr Anil Lobo is the first individual from the Christian community to receive the coveted award.

## CHRISTMAS CELEBRATION 09-12-2023



College, Madantyar gave a cheering start to the gala party. Blue Angles choir sang prayer song to receive God's blessings on programme.

Chairman Mr Anil Lobo inaugurated the Christmas Party 2023 along with Board of Directors launching the balloons into the sky. Celebration started with season's best carol singing, led by Blue Angels choir. All the staff and their family members actively participated and enjoyed to the fullest. Christmas tableau was presented by bank staff members in memory of birth of Jesus. Celebration was doubled with cutting cake by the Chairman along with all the board of directors.



The Mangalore Catholic Co-operative Bank Ltd organized Christmas Gala Party on 09.12.2023 at Francis Doris Skate City, Hoige Bail, Ashok Nagar, Mangalore, for directors, M.C.C Bank Staff of MCC bank along with their loving family to celebrate the season for joy and merriment. Mr Nelson Monis Lecturer, Sacred Heart

Mrs Irene Rebello gave Christmas message to the gathering. She explained the importance of Christmas; how and why Christmas is celebrated throughout the world. The winners of the games were awarded with gifts by chairman. Flash Mob dance was presented by team Red Hawks to entertain the crowd. The flaring show was presented by team Angels Group.





## CYBER SECURITY



- Aldria DSouza, Junior Assistant

The banking sector has experienced tremendous growth as it has undergone substantial changes to rising technology. One of the largest winners of the IT revolution is banks, which have mainly embraced Information Technology to provide financial services to their clients. On the other hand it also faces the problem of Cyber Crimes which leads to untrustworthiness in the minds of customers. Cyber crime in banking includes things like stealing data, tricking people into giving away their personal information, locking up computer systems for ransom, and pretending to be someone else to steal money. To eradicate these problems Cyber security is the key for Banks to keep customers money safe and secure. It also helps to maintain customer trust and confidence in the banking system. So the banks are using the latest security measures to protect customers personal information and financial transactions.

### Some of the Cyber security Threats faced by Banks are:

- 1. Phishing:** Malicious agents use disguised emails or domains to trick individuals into downloading malware or giving away personal information, which is otherwise known as credential phishing. Attackers may send emails disguised as official bank correspondence to customers, which can prove effective for stealing financial information.
- 2. Ransomware:** It is a type of malware that prevents you from accessing your computer (or the data that is stored on it). The computer itself may become locked, or the data on it might be stolen, deleted or encrypted.

**3. Spoofing:** As it pertains to cybersecurity, is when someone or something pretends to be something else in an attempt to gain our confidence, get access to our systems, steal data, steal money, or spread malware. Spoofing attacks come in many forms, including Email spoofing, Website and/or URL spoofing, Caller ID spoofing, Text message spoofing.

### Measures to be taken by the customers to avoid the cyber crimes:

1. Use only the verified apps.
2. Browse only on authorised websites.
3. Use secured connections.
4. Don't share personal information with anyone.
5. Never click on suspicious links on SMS or emails.

The obvious reason for the importance of cyber security in banking sector transactions is to protect customer assets. As more people go cashless, activities are done through online checkout pages and physical credit scanners. In both situations, Personally Identifiable Information can be redirected to other locations and used for malicious activities. Not only does this affect the customer. It also greatly harms the bank while they attempt to recover the data. In turn, they lose the trust of their customers and other financial institutions. The customers must follow the measures which were described above to avoid fraudulent activities happening through internet. So that the cyber crimes can be reduced. It is one of the responsibility to educate the customers regarding cyber crimes to safeguard their financial transactions on internet.

## NON-PERFORMING ASSETS (NPA)



- Deril Lasrado, Senior Manager

### Introduction:

Prior to 1991, banks in India did not have uniform accounting practices for income recognition, classification of assets, provisioning for Non-Performing Assets and valuation of securities held in a bank's portfolio. Consequently, there was no uniform framework for capital adequacy requirements and very few banks had a capital adequacy ratio of 8 percent. The prudential norms reflect the regulatory side of banking sector reforms and were introduced following the recommendations of the Committee on Financial System, 1991 (Narasimham Committee I). The Committee recommended the implementation of uniform prudential norms and standards that conformed with the Basel Committee on Banking Supervision. The norms for income recognition, asset classification and provisioning for the loan portfolio in banks were, thus, introduced by the Reserve Bank of India in a gradual manner and became fully operational from March 31, 1996.

**Definition:** An asset, including a leased asset, becomes Non-Performing when it ceases to generate income for the bank.

A non performing asset (NPA) is a loan or an advance where;

- i. interest and/or instalment of principal remains overdue for a period of more than 90 days in respect of a term loan,
- ii. the account remains 'out of order'\*, in respect of an Overdraft/Cash Credit (OD/CC)

- iii. the bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted,
- iv. the instalment of principal or interest thereon remains overdue for two crop seasons for short duration crops,
- v. the instalment of principal or interest thereon remains overdue for one crop season for long duration crops,
- vi. the amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitisation transaction undertaken in terms of the Reserve Bank of India (Securitisation of Standard Assets) Directions, 2021.
- vii. in respect of derivative transactions, the overdue receivables representing positive mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment.

In case of interest payments, banks should, classify an account 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.

\*An account should be treated as 'out of order' if the outstanding balance remains continuously in excess of the sanctioned limit/drawing power for 90 days. In cases where the outstanding balance in the principal operating account is less than the sanctioned limit/drawing power, but there are no credits continuously for 90 days as on the date of Balance Sheet or credits are



not enough to cover the interest debited during the same period, these accounts should be treated as 'out of order'.

The classification of an asset as NPA should be based on the record of recovery. Bank should not classify an advance account as NPA merely due to the existence of some deficiencies which are temporary in nature such as non-availability of adequate drawing power based on the latest available stock statement, balance outstanding exceeding the limit temporarily, non-submission of stock statements and non-renewal of the limits on the due date, etc. In the matter of classification of accounts with such deficiencies banks may follow the following guidelines:

- a) Banks should ensure that drawings in the working capital accounts are covered by the adequacy of current assets, since current assets are first appropriated in times of distress. Drawing power is required to be arrived at based on the stock statement which is current. However, considering the difficulties of large borrowers, stock statements relied upon by the banks for determining drawing power should not be older than three months. The outstanding in the account based on drawing power calculated from stock statements older than three months, would be deemed as irregular.
- b) A working capital borrowal account will become NPA if such irregular drawings are permitted in the account for a continuous period of 90 days even though the unit may be working or the borrower's financial position is satisfactory.
- c) Regular and ad-hoc credit limits need to be reviewed/regularised not later than three months from the due date/date of ad hoc sanction. In case of constraints such

as non-availability of financial statements and other data from the borrowers, the branch should furnish evidence to show that renewal/ review of credit limits is already on and would be completed soon. In any case, delay beyond six months is not considered desirable as a general discipline. Hence, an account where the regular/ ad-hoc credit limits have not been reviewed/ renewed within 180 days from the due date/ date of ad-hoc sanction will be treated as NPA.

**INCOME RECOGNITION:** The policy of income recognition has to be objective and based on the record of recovery. Therefore, the banks should not charge and take to income account, interest on any NPA. This will apply to Government guaranteed accounts also. However, interest on advances against Term Deposits, National Savings Certificates (NSCs), Indira Vikas Patras (IVPs), Kisan Vikas Patras (KVPs) and Life policies may be taken to income account on the due date, provided adequate margin is available in the accounts.

**Reversal of income:** If any advance, including bills purchased and discounted, becomes NPA, the entire interest accrued and credited to income account in the past periods, should be reversed if the same is not realised. In respect of NPAs, fees, commission and similar income that have accrued should cease to accrue in the current period and should be reversed with respect to past periods, if uncollected.

**Appropriation of recovery in NPAs :** Interest realised on NPAs may be taken to income account provided the credits in the accounts towards interest are not out of fresh/ additional credit facilities sanctioned to the borrower concerned. In the absence of a clear agreement between the bank and the borrower for the purpose of appropriation

of recoveries in NPAs (i.e. towards principal or interest due), banks should adopt an accounting principle and exercise the right of appropriation of recoveries in a uniform and consistent manner.

Banks are required to classify Non-Performing Assets further into the following three categories based on the period for which the asset has remained Non-Performing and the realisability of the dues:

(i) Substandard Assets (ii) Doubtful Assets  
(iii) Loss Assets (i) Substandard Assets

### **(i) Substandard Assets**

With effect from March 31, 2005, a substandard asset would be one, which has remained NPA for a period less than or equal to 12 months. Such an asset will have well defined credit weaknesses that jeopardize the liquidation of the debt and are characterized by the distinct possibility that the banks will sustain some loss, if deficiencies are not corrected.

### **(ii) Doubtful Assets**

With effect from March 31, 2005, an asset would be classified as doubtful if it has remained in the substandard category for a period of 12 months. A loan classified as doubtful has all the weaknesses inherent in assets that were classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, – on the basis of currently known facts, conditions and values – highly questionable and improbable.

### **(iii) Loss Assets**

A loss asset is one where loss has been identified by the bank or internal or external auditors or the RBI inspection but

the amount has not been written off wholly. In other words, such an asset is considered uncollectible and of such little value that its continuance as a bankable asset is not warranted although there may be some salvage or recovery value.

### **Asset Classification to be borrower-wise and not facility-wise**

It is difficult to envisage a situation when only one facility to a borrower/one investment in any of the securities issued by the borrower becomes a problem credit/investment and not others. Therefore, all the facilities granted by a bank to a borrower and investment in all the securities issued by the borrower will have to be treated as NPA/NPI and not the particular facility/investment or part thereof which has become irregular.

**Conclusion:** NPA is not just a problem for bank, but also bad for the economy of the country. The money which is locked in NPA is not available for productive activities and at the same time the banks are required to provide provisions for NPAs from their current profits. The interest income of banks is thereby reduced. The current profits of the banks are eroded due to provision of doubtful and bad debts. For banks it is necessary to keep the level of NPA low as it impacts upon the profitability of the banks and hence it is necessary to have strong recovery system that should be operated effectively with control and supervision of higher authorities. It can be noted that having proper pre-sanctioning appraisal and an effective post-disbursement supervision will help the banks in containing the NPA level.

\*\*\*\*\*



# NEW BOARD OF DIRECTORS 2023-28



**Anil Lobo**  
Chairman



**Jerald Jude D'Silva**  
Vice Chairman



**Joseph A Patrao**



**Andrew D'Souza**



**Dr Gerald Pinto**



**David D'Souza**



**Elroy K Crasto**



**J P Rodrigues**



**Herald J Monteiro**



**Roshan D'Souza**



**Irene Rebello**



**Dr Freeda D'Souza**



**Melwin Vas**



**Vincent Lasrado**



**C G Pinto**



**Sushanth Saldanha**



**Felix DCruz**



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