

Subject: The credit facilities sanctioned to the Borrower by ICICI Bank Limited ("Bank") ("Credit Facilities")

Dear Sir/ Madam,

With reference to the Credit Facilities, the Bank wishes to educate you on the following concepts with illustrative examples, inter alia, related to due dates and classification of your Borrowal Accounts as SMA/ NPA in the course of the conduct of the accounts.

Dues: The principal/ interest/ other charges levied on the loan account, which are payable within the period stipulated, as per the terms of sanction of the Credit Facility.

Overdue: The principal/ interest/ other charges levied on the loan account, which are payable but have not been paid, within the period stipulated, as per the terms of sanction of the Credit Facility. In other words, any amount due to the Bank under any credit facility is overdue, if it is not paid on the due date fixed by the Bank.

Relevance of the principle of 'First In First Out' ("FIFO") in appropriation of payments into the Borrowal Account:

The principle of FIFO accounting method is relevant to arrive at the number of days of overdue for determining the SMA/ NPA status. The FIFO principle assumes that the oldest outstanding dues in the loan account needs to be cleared first. The FIFO method thus, requires that what is due first must be paid by the Borrower first.

For example: If as on Feb 01, 2021, there are no overdue in the loan account and an \$<Amount> is due for payment towards the principal instalment/ interest/ charges, any payment being credited on or after Feb 01, 2021 in the loan account will be used to pay off the dues outstanding on Feb 01, 2021.

Assuming that nothing is paid/ or there is partial payment \$<Y> of dues during the month of February, the overdue as on Mar 01, 2021 will be \$<X - Y>.

Additionally, an amount of \$<Z> becomes due as on Mar 01, 2021, now any payment/ partial payment into the account on or after Mar 01, 2021 will be first utilised to pay off the partial due of Feb 01, 2021 (\$X - \$Y). If there is more recovery than the \$<Amount>X - \$<AmountY>, then after recovering the dues of Feb 01, 2021, the remaining amount will be treated as recovery towards due of Mar 01, 2021.

Age of Oldest Dues: The age of oldest dues is reckoned in days from the date on which the oldest payment is due and continues to remain unpaid. In the illustration, if the Dues relating to Feb 01, 2021 remain unpaid till Mar 01, 2021, the age of the oldest dues is reckoned as 29 days on Mar 02, 2021.

Classification as Special Mention Account ("SMA") and Non-Performing Asset ("NPA")

Lending institutions will recognise the fundamental stress on loan accounts, immediately on default, by classifying them as SMA. The basis of classification of an SMA/ NPA category shall be as follows:

Loans in the nature of Term Loans		Loans in the nature of cash credit/ overdraft / Revolving Credit	
SMA Sub-categories	Basis for classification, when the principal or interest payment or any other amount wholly or partly overdue.	SMA Sub-categories	Basis for classification, when the outstanding balance remains continuously in excess of the sanctioned limit or drawing power, whichever is lower for a period of:
SMA-0	Up to 30 days.		
SMA-1	More than 30 days and up to 60 days.	SMA-1	More than 30 days and up to 60 days.
SMA-2	More than 60 days and up to 90 days.	SMA-2	More than 60 days and up to 90 days.

Non-Performing Asset: Non-Performing Asset 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' (as indicated below), with respect to an Overdraft/ Cash Credit / Revolving Credit ("OD/ CC / RCF")
- III. The bill remains overdue for a period of more than 90 days, in the case of bills purchased and discounted

Out of Order Status: An account shall be treated as 'Out of order' if:

- I. The outstanding balance in the CC/ OD / RCF Account remains continuously in excess of the sanctioned limit/ drawing power for 90 days, or
- II. Interest remains overdue for a period of more than 90 days in respect of a Term Loan

Illustrative movement of an account from the SMA category to NPA category based on delay/ non-payment of dues and subsequent upgradation to the standard category, at day end process:

Due date of payment	Payment date	Payment covers	Age of oldest dues, in days	SMA/ NPA categorisation	SMA since date/ SMA class date	NPA categorisation	NPA date
01.01.2022	01.01.2022	Entire dues up to 01.01.2022	0	Nil	NA	NA	NA
01.02.2022	01.02.2022	Partly paid dues of 01.02.2022	1	SMA 0	01.02.2022	NA	NA
01.02.2022	01.02.2022	Partly paid dues of 01.02.2022	2	SMA 0	01.02.2022	NA	NA
01.03.2022		Dues of 01.02.2022 not fully paid, 01.03.2022 is	29	SMA 0	01.02.2022	NA	NA

		also due at EOD 01.03.2022					
		Dues of 01.02.2022 fully paid, Due for 01.03.2022 not paid at EOD 01.03.2022	1	SMA 0	01.03.2022	NA	NA
		No payment of full dues of 01.02.2022 and 01.03.2022 at EOD 03.03.2022	31	SMA 1	01.02.2022/ 01.03.2022	NA	NA
		Dues of 01.02.2022 fully paid, Due for 01.03.2022 not fully paid at EOD 01.03.2022	1	SMA 0	01.03.2022	NA	NA
01.04.2022		No payment of dues of 01.02.2022 01.03.2022 and amount due on 01.04.2022 at EOD 01.04.2022	60	SMA 1	01.02.2022/ 01.03.2022	NA	NA
		No payment of dues of 01.02.2022 till 01.04.2022 at EOD 01.04.2022	61	SMA 2	01.02.2022/ 01.04.2022	NA	NA
01.05.2022		No payment of dues of 01.02.2022 till 01.05.2022 at EOD	90	SMA 2	01.02.2022/ 01.04.2022	NA	NA
		No payment of dues of 01.02.2022 till 01.05.2022 at EOD	91	NPA	NA	NPA	02.05.2022
01.06.2022	01.06.2022	Fully Paid dues of 01.02.2022 at EOD 01.06.2022	93	NPA	NA	NPA	02.05.2022

01.07.2022	01.07.2022	Paid entire dues of 01.03.2022 & 01.04.2022 at EOD 01.07.2022	62	NPA	NA	NPA	02.05.2022
01.08.2022	01.08.2022	Paid entire dues of 01.05.2022 & 01.06.2022 at EOD 01.08.2022	32	NPA	NA	NPA	02.05.2022
01.09.2022	01.09.2022	Paid entire dues of 01.07.2022 & 01.08.2022 at EOD 01.09.2022	1	NPA	NA	NPA	02.05.2022
01.10.2022	01.10.2022	Paid entire dues of 01.09.2022 & 01.10.2022	0	Standard account with no Overdue	NA	NPA	STD from 01.10.2022

Please note that the above examples are illustrative and not exhaustive in nature covering common scenarios.

In case you require any further understanding/ clarifications, please get in touch with your Relationship Manager.

Sincerely,
ICICI Bank Ltd., New York Branch