

### **Policy on One-Time Settlements for MSME Borrowers**

The Bank follows a merit based non-discretionary, one-time settlement policy for the recovery of NPAs under MSME sector. The scheme is applicable for all MSME NPA borrowers.

The following general principles will apply for settlements with MSME borrowers:

- A number of factors such as be considered for settlement eligibility such as:
  1. Repayment of the loan by the borrower,
  2. Amount overdue at the time of settlement
  3. Reasons for irregularity
  4. Settlement amount in consideration
  5. Provisions held by the bank
  6. Amount of sacrifice involved
  7. Valuation of the underlying property (in case of secured assets)
  8. Net worth of the guarantors
  9. Possible deterioration in the security
  10. Expected cash flows of the borrowers
  11. Legal tools available to the Bank for recovery
- The compromise settlements with the borrowers under the above framework shall be without prejudice to the provisions of any other statute in force.
- The compromise shall be a negotiated settlement under which the bank shall ensure to recover its dues to the maximum extent possible at minimum expense; settlements resulting into partial write-off of borrower's exposure will not be permitted.
- OTS sanctioned by the competent authority shall be valid for a period upto 90 days i.e 3 months (as per mutually agreed instalment terms) from the date of communication of the approval to the borrower.
- Compromise settlements where the time for payment of the agreed settlement amount exceeds three months shall be treated as restructuring as defined in terms of the Reserve Bank of India directions on Resolution of Stressed Assets dated 28th November 2025.
- Cases already decreed in favour of the Bank are not eligible for settlement under the MSME OTS policy.
- The Bank differentiates a genuine defaulter from a wilful defaulter and a fraud case by assessing the underlying intent, treating bona fide defaults as eligible for normal settlement consideration while applying far more stringent settlement treatment to wilful defaulters and fraud cases in line with regulatory expectations.
- For facilities covered under ECLGS, any guarantee claim amount received from NCGTC to be refunded, post receiving the entire settlement amount.
- Legal actions for recovery will not be withdrawn until payment of entire settlement amount.
- Borrower has to withdraw all the legal cases/complaints filed against the Bank upon approval of the settlement
- Borrower looking for application under the scheme shall apply by visiting the nearest Branch or connect with the Relationship Manager.