

**SPECIFIC PROVISIONING ON NON- PERFORMING ADVANCES  
(Security - Vehicles)**

1. An extract of Direction No 03 of 2006 Section 3 (ii)(f) is quoted below for your information and compliance.

**Quote**

3 (1) Every finance company shall make provisions for accommodations classified as non-performing and the amount of such provision shall at least be aggregate of-

- (a) 50 per cent of all accommodations in arrears for a period of 6 months or more but not exceeding 12 months
- (b) 100 per cent of all accommodations in arrears for a period over 12 months
- (c) 100 per cent with regard to the portion of the unrecovered amount of an accommodation where the asset financed under a lease/ hire purchase agreement has been repossessed and sold **or** where the asset taken as collateral has been sold by the finance company

3. (ii) A finance company may deduct the value of the following items held as collateral in respect of particular accommodation in arriving at the amount of the provision required

(g) with regard to **vehicles and machinery** that have been repossessed by the finance company 80 per cent of the valuation obtained during the preceding 6 months from a valuer approved by the Central Bank of Sri Lanka.

**Unquote**

2. Branch Managers should ensure that the valuation reports of vehicles of Non-Performing advances are submitted to the Head of Finance or Chief Risk officer to compute the provisions based on the above requirements.
3. The examiners of the Central Bank of Sri Lanka has stated in their report that the we have not made provision for NPAs as required, in instances where the collateralized vehicle in not repossessed **or** 80% of the value of the vehicle is inadequate to recover the outstanding amount **or** the value of the repossessed vehicles have not been obtained
4. The Managers of Branches relating to advances of the contract numbers indicated in the attached schedule are required to forward the relevant **valuation reports obtained during the preceding 6 months from a valuer as approved by the CBSL** to Chief Risk officer **immediately** to rectify the above error and avoid increasing the provision as stated therein, against each credit facility
5. Branch Managers should ensure that they furnish to the Chief Risk Officer in the future, a copy of the valuation report as described under paragraph 4 above when a facility granted against a vehicle or machinery moves to the non- performing segment, to ensure specific provisioning been made as per the requirements of the Central Bank of Sri Lanka and avoid over provisioning due violation of their Directions

  
CEO/ EXECUTIVE DIRECTOR



**CEO/ EXECUTIVE DIRECTOR**

**attachment**

**Concern No 5 in the Examination report of Central Bank of Sri Lanka(CBSL) is stated below**

- The Company has not made provision for NPAs as required, in instances where the collateralized vehicle in not repossessed or 80% of the value of the vehicle is inadequate to recover the outstanding amount or the value of the repossessed vehicle have not been obtained
- As required in paragraph 4 of this circular please forward copies of Valuation reports of vehicles relating Non-Performing advances stated below to Chief Risk Officer Immediately
- Chief Risk officer should inform Head of Compliance to update CBSL report accordingly and inform CBSL the action taken by us

**Table 3: Shortfall in Specific Provisions on NPAs against vehicles**

Contract No	Net Exposure (Rs.)	Age (Months)	Provision (Rs)			Remarks
			Required	Available	Shortfall	
101000707	38,094.0	7.0	19,047.0	-	19,047.0	Not repossessed
202000180	568,798.0	10.0	284,399.0	-	284,399.0	
203000032	1,323,511.0	10.0	661,755.5	-	661,755.5	
704000074	1,602,634.0	11.0	801,317.0	-	801,317.0	
401000024	149,288.0	11.0	74,644.0	-	74,644.0	
201000295	194,100.0	12.0	97,050.0	-	97,050.0	
201000616	126,510.0	12.0	63,255.0	-	63,255.0	
101000946	100,086.0	13.0	50,043.0	-	50,043.0	
101000147	7,156.0	14.0	3,578.0	-	3,578.0	
101000168	17,124.0	18.0	8,562.0	-	8,562.0	
401001050	214,027.0	19.0	214,027.0	-	214,027.0	
203000027	1,586,060.0	20.0	1,586,060.0	-	1,586,060.0	
101000775	69,184.0	20.0	69,184.0	-	69,184.0	
304000012	1,675,751.0	25.0	1,675,751.0	-	1,675,751.0	

Contract No	Net Exposure (Rs.)	Age (Months)	Provision (Rs)			Remarks
			Required	Available	Shortfall	
101000578	144,619.0	32.0	144,619.0	-	144,619.0	
101000645	120,692.0	38.0	120,692.0	-	120,692.0	
101000541	108,204.0	38.0	108,204.0	-	108,204.0	
101000781	116,970.0	8.0	116,970.0	-	116,970.0	
101000837	152,793.0	14.0	152,793.0	-	152,793.0	
101000821	235,656.0	8.0	235,656.0	-	235,656.0	
101000282	198,632.0	-	198,632.0	-	198,632.0	
101000858	284,070.0	22.0	284,070.0	-	284,070.0	
202000091	868,755.0	22.0	548,755.0	-	548,755.0	Inadequate value
404000046	1,321,450.0	12.0	660,725.0	-	660,725.0	Non-availability of a valuation report
<b>Total</b>	<b>11,224,164.0</b>		<b>8,179,788.5</b>	<b>-</b>	<b>8,179,788.5</b>	