CM-1.8 Classification and Provisioning (Continued)

Re-categorisation of Non-performing Exposures as Performing

CM-1.8.15

An exposure ceases to be non-performing and can be re-categorised as performing when all the following criteria are met simultaneously:

(a) The counterparty does not have any exposures that are past due for 90 days or more (see also Paragraph CM-1.8.6);

(b) Repayments have been made when due over a continuous repayment period of at least:

- i. For corporates:
  - a. Six months for facilities with monthly or quarterly ~~repayment~~ instalments; and
  - b. Twelve months for facilities with annual or semi-annual instalments.
- ii. For retail customers:
  - a. Three months for facilities with monthly instalments; and
  - b. Six months for facilities with quarterly instalments.

However, if the repayments in any of the above cases are not clearly reflective of improvement in the counterparty's financial position, a longer repayment history or higher number of instalments must be assessed by the licensee before re-categorisation of the exposure to a 'performing' status;

(c) The counterparty's financial situation has improved so that the full repayment of the exposure is likely, according to the original or, when applicable, modified conditions. This must usually require a credit review process that evaluates the obligor's current capacity to repay, clarity on the source of cash flow available for repayments, improvements in the level of indebtedness and compliance with various financing covenants imposed by the licensee. Repayments through liquidation or enforcement of collateral is generally not considered as an improvement in the financial health of the borrower; and

(d) The exposure is not considered to be in 'default' or 'impaired' according to the applicable accounting ~~framework~~ standards.