RBI TAKES 3 BANKS OFF PROMPT CORRECTIVE ACTION FRAMEWORK

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Banking, NPAs and RBI

Third eye:RBI will continuously monitor the performanceof these banks under various parameters.V.V. Krishnan

Three more banks — Allahabad Bank and Corporation Bank, from the public sector, and Dhanlaxmi Bank from the private sector — are now out of the Reserve Bank of India's (RBI) prompt and corrective action (PCA) framework.

Earlier, such restrictions were taken off Bank of India, Oriental Bank of Commerce and Bank of Maharashtra.

Six more under PCA

There are another six banks that are still under PCA framework.

While lifting the restrictions on the State-run lenders, RBI said the Board for Financial Supervision (BFS) reviewed the performance of the banks under PCA and noted that these two banks had received capital infusion from the government.

"This has shored up their capital funds and also increased their loan loss provision to ensure that the PCA parameters were complied with," RBI said.

Allahabad Bank and Corporation Bank had received capital of Rs. 6,896 crore and Rs. 9,086 crore respectively.

Capital adequacy ratio

As on December 31, Allahabad Bank had a capital adequacy ratio of 10.42% and net NPA ratio of 7.7%, while Corporation Bank's CAR was at 11.12% and net NPA 11.47%.

"The two banks have also made the necessary disclosures to the stock exchange that post infusion of capital, the CRAR, CET1, Net NPA and leverage ratios are no longer in breach of the PCA thresholds," RBI said.

According to norms, PCA framework gets triggered when a bank breaches one of the three risk thresholds. Crossing 6% net NPA is one of them.

RBI also decided to take Dhanlaxmi Bank out of PCA , as the bank was found not to be breaching any of the risk thresholds of the framework.

"RBI will continuously monitor the performance of these banks under various parameters," the banking regulator added.

END