

## METHODOLOGY FOR DETERMINATION OF NET WEIGHT OF GOLD JEWELLERY / ORNAMENTS / COINS

Bank is following the below mentioned standardised procedure with respect to assaying purity of gold collateral, determination of gross weight and net weight and valuation of eligible collateral .

### **Assaying & Pricing:**

The Bank shall obtain an independent valuation of the Gold by an assessor appointed by the Bank who shall be using the following methods for assaying the gold purity :

- a) Touchstone
- b) Nitric acid
- c) Gold Purity testing machine (wherever applicable).

### **Determining the market price of the gold:**

- (a) The Gold shall be of a weight not exceeding 1 (one) kilogram in case of ornaments and 50 (fifty) grams in case of coins.
- (b) **Pricing** - The Gold shall be valued based on the reference price corresponding to its actual purity (caratage), and for this purpose, the **lower** of the following prices shall be considered:
  - i. The average closing price for gold, of the specific purity equivalent to the Gold comprising the Secured(s) Assets, over the preceding 30 calendar days;
  - ii. The closing price for gold of the specific purity equivalent to the Gold comprising the Secured(s) Assets on the preceding day, as published either by the India Bullion and Jewellers Association Limited ("**IBJA**") or by a commodity exchange regulated by the Securities and Exchange Board of India ("**SEBI**").
  - iii. Market price as determined by the bank on daily basis.

If price information for the gold of the specific purity equivalent to the Gold comprising the Secured(s) Assets is not directly available, the Bank shall use the published price available for the nearest available purity and proportionately adjust the weight of the Gold based on its actual purity to arrive at valuation.

### Purity requirements:

CUB accepts ornaments with a minimum purity of 18 carat. Gold below 18 carats is generally not accepted by the Bank.

The amount of loan is decided on the basis of Gold purity ie. on the basis of carat(24,22,20,18). The Bank evaluates collateral based on 22 carat standards ie., gold carats below or above 22 carats are converted into 22 carats.

For determining the net weight of gold, only the intrinsic value of the gold is accepted. The Bank deducts the weight of extraneous elements like stones, gems , threads ,lac , wax from the gross weight and margin (as decided by the bank).

The formula for Net weight = Gross weight –(minus) stones, impurities and deductions.

### LTV computation:

As per the regulatory mandates, banks are required to maintain LTV as below. The LTV ratio shall be computed against the total outstanding in the loan account, including accrued interest and current value of gold jewellery accepted as security.

In case of Bullet repayment loans, the loan amount shall be the total amount payable at maturity.

Maximum LTV ratio against the eligible collateral shall not exceed the LTV ratio's as provided in the below table:

#### A) Consumption loan

Total Consumption loan amount per borrower	Maximum LTV ratio
<Rs.2.50 lakh	85 %
>2.50 lakh and <5.00 lakh	80 %
>Rs.5.00 lakh	75 %

#### B) Income generation loan

Loan amount	Maximum LTV ratio
Any quantum	90 %

While banks can go upto 85% on certain consumption loans as narrated above, currently our bank maintains LTV typically between 60% to 75%(for Bullet repayment loans) to protect against sudden gold price fluctuations.

As per the RBI guidelines, the LTV ratio must be maintained throughout the loans' tenure. The above-prescribed LTV shall be maintained on an ongoing basis throughout the tenor of the loan.