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Reserve Bank of India (Scheduled Commercial Banks-Asset Classification, Provisioning and Income Recognition) Directions, 2025 – Draft for Comments

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Chapter I: Preliminary

Preamble

Banks in India are presently operating under the Income Recognition, Asset Classification and Provisioning (IRACP) norms prescribed by the Reserve Bank of India (RBI). These norms constitute the cornerstone of extant prudential regulation and govern income recognition, classification of loans and advances, and provisioning. In line with global developments and with a view to strengthen the resilience and transparency of the banking sector, the Reserve Bank has decided to revise the extant framework comprehensively. Accordingly, draft "Reserve Bank of India (Scheduled Commercial Banks - Asset Classification, Provisioning and Income Recognition) Directions, 2025" are being issued, which seek to:

a. introduce staging criteria for asset classification under Expected Credit Loss (ECL) approach, while retaining the extant norms for Non Performing Asset (NPA) classification;

b. replace the incurred-loss-based provisioning framework with an Expected Credit Loss approach; and,

c. update the principles of income recognition, including aspects relating to the Effective Interest Rate (EIR) method.

These Directions are expected to further strengthen credit risk management practices, promote greater comparability across financial institutions, and align regulatory norms with internationally accepted financial reporting norms. These Directions have been formulated taking into account the feedback received on the earlier Discussion Paper issued on ECL based provisioning and the recommendations of the External Working Group constituted for this purpose. These Directions subsume the relevant extant provisions and are now being placed in the public domain for wider consultation.

Short title and commencement

1. These Directions shall be known as the **Reserve Bank of India (Scheduled Commercial Banks- Asset Classification, Provisioning and Income Recognition) Directions, 2025.**

Applicability

2. These Directions shall be applicable to Scheduled Commercial Banks (except Regional Rural Banks, Small Finance Banks, and Payments Banks)

Effective Date

3. These Directions shall come into effect from April 1, 2027.

Definitions

4. For the purpose of these directions, the following definitions shall apply:

   i) “Amortised cost” of a financial instrument is the cost measured on a reporting date subsequent to the initial recognition, and is equal to the amount measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the EIR method of any difference between that initial amount and the maturity amount and, adjusted for any loss allowance.

   ii) “Cash Credit” means a facility, under which a borrower is allowed an advance up to the credit limit against the security by way of hypothecation/ pledge of goods, book debts, standing crops, etc. The facility is a revolving account and 'Drawing Power (DP)' is periodically determined with reference to the value of the eligible current assets. The outstanding amount is repayable on demand.

   iii) “Credit-impaired financial asset” refers to a financial asset characterized by objective evidence of impairment, resulting from events that materially reduce the likelihood of recovering the asset’s contractual cash flows in full and/or on time. Such events may include, but are not limited to:

      a. **Non-Performing Status**: It shall mean a financial asset, which has ceased to generate income. The detailed criteria for classification of a financial asset as non-performing is provided in Chapter II of these Directions.

      b. **Out of order status**: A cash credit/ overdraft (CC/ OD) account classified as ‘out of order’ as defined in Para 4(xvii).

c. **Borrower's Financial Distress:** The issuer or borrower experiences substantial financial difficulties, leading to inability to service debt obligations.

d. **Lender Concessions:** The lender grants concessions - such as reduced interest rates, extended repayment terms, or debt restructuring - due to the borrower's financial hardship, which would not have been offered under normal circumstances.

e. **High Probability of Insolvency:** There is a significant likelihood that the borrower will enter bankruptcy, undergo financial reorganization, or face similar proceedings that could jeopardize repayment.

f. **Acquisition at Significant Discount:** The asset is purchased or originated at a deep discount, reflecting inherent credit losses due to the borrower's deteriorated credit quality.

iv) "Credit-adjusted effective interest rate" is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial asset to the amortised cost of a financial asset that is purchased or originated credit-impaired financial asset (POCI).

v) "Default" means the financial asset that has been classified as a Non-Performing Asset as defined under Chapter II of these Directions.

vi) "Effective interest rate" is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the instrument to the gross carrying amount of a financial asset.

vii) "Expected credit loss" means the weighted average of credit losses under different scenarios with the respective probability of the various scenarios as the weights.

viii) "12-month ECL" means the portion of lifetime ECL that represent the expected credit losses that result from default events on a financial instrument that are possible within 12 months after the reporting date.

ix) "Fair Value through Profit and Loss (FVTPL)" means those financial assets classified as such in terms of the '*Master Direction - Classification, Valuation and*

Operation of Investment Portfolio of Commercial Banks (Directions), 2023', as amended from time to time.

x) "Financial asset" means any asset that is:

   a. cash;
   b. an equity instrument of another entity;
   c. contractual right to receive cash, or another financial asset from another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

xi) "Financial instrument" means any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

xii) "Gross carrying amount of a financial asset" is the amortised cost of a financial asset, before adjusting for any loss allowance.

xiii) "Lifetime ECL" is the ECL that result from all possible default events over the expected life of a financial instrument.

xiv) "Long duration" crops mean crops which are not short duration crops. The crop season for long duration crops i.e., anticipated period from sowing to marketing is more than twelve months and up to eighteen months.

xv) "Loss allowance" means an accounting provision for ECL on financial instruments, which come under the purview of these Directions.

xvi) "Micro Enterprises, Small Enterprises, and Medium Enterprises" shall be in terms of the Master Direction - Lending to Micro, Small & Medium Enterprises (MSME) Sector dated July 24, 2017, as amended from time to time.

xvii) "Out of order status" – a cash credit / overdraft (CC / OD) loan shall be treated as 'out of order' if any of the following conditions get satisfied:

   a. the outstanding balance remains continuously in excess of the sanctioned limit/ drawing power for ninety days;
   b. there are no credits continuously for ninety days;
   c. credits are not enough to cover the interest debited during the previous ninety days period.

Explanation 1: 'Previous ninety days period' referred to in Sl. No. (iii) above shall be inclusive of the day for which the day-end process is being run.

Explanation 2: The definition of "out of order" shall be applicable to all loan products being offered as a cash credit/ overdraft facility, including those not meant for business purpose and/ or which entail interest repayments as the only credits.

xviii) **"**Overdraft**"** means a credit facility, under which a borrower is allowed to drawdown an agreed sum (credit limit) in excess of credit balance in their account. The overdraft facility may be secured (against fixed/ term deposits and other securities, like small saving instruments, surrender value of insurance policies, etc.) or clean (i.e., without any security). The overdraft facility might be granted on the borrower's current account, savings deposits account or temporary overdraft on credit accounts.

xix) "overdue status" means any amount due to a bank including principal or interest shall be treated as 'overdue' if it is not paid on the due date fixed by the bank.

xx) "Purchased or originated credit-impaired financial asset" (POCI) means financial assets that are credit-impaired on initial recognition.

xxi) "Review" of a financial asset shall refer to the process undertaken by the bank to evaluate the performance of the financial asset *vis-à-vis* the sanction terms to identify any SICR.

xxii) "Renewal" of a financial asset which is a revolving credit facility (cash credit, overdraft), shall refer to the process by which a bank undertakes a fresh assessment of the existing revolving credit facility whose sanctioned term has lapsed or is due to lapse, for continuation of the facility on the same or revised terms and conditions.

xxiii) "Reporting date" is the end of period on which a bank is required to prepare its books of accounts under statute or under a regulation.

xxiv) "Secured portion of a financial instrument" is the extent to which the financial instrument is covered by the realisable value of the tangible security to which

the bank has a valid recourse, and the realisable value is estimated on a realistic basis.

xxv) "short duration crops" shall mean crops with anticipated duration from sowing to marketing up to twelve months.

xxvi) "Significant Increase in Credit Risk" (SICR) is a significant or material change in the estimated "Default" Risk over the remaining expected life of the financial instrument.

xxvii) "Term Loan" shall refer to a loan which has a specified maturity and is repayable in instalments or in bullet form.

xxviii) "Transaction cost" means the incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset.

xxix) The terms, "Date of Commencement of Commercial Operations (DCCO)", and "financial closure" shall have the same meaning given in the Reserve Bank of India (Project Finance) Directions dated June 19, 2025.

xxx) "Commercial Real Estate (CRE)" – shall have the meaning given in the circular DBOD.BP.BC.No.42/08.12.015/2009-10 dated September 9, 2009 on 'Guidelines on Classification of Exposures as Commercial Real Estate (CRE) Exposures', as updated from time to time.

xxxi) "Commercial Real Estate-Residential Housing (CRE-RH)" – shall have the meaning given in the circular DBOD.BP.BC.No.104/08.12.015/2012-13 dated June 21, 2013 on 'Housing Sector: New sub-sector CRE (Residential Housing) within CRE & Rationalisation of provisioning, risk-weight and LTV ratios', as updated from time to time.

Chapter II: Classification as Non-Performing Asset

5. A bank shall classify a financial asset as NPA if any of the following conditions are satisfied:

   a. If interest and/ or principal remains continuously overdue for a period of more than ninety days in respect of a term loan, bills purchased and discounted;

b. If it is classified as 'out of order' in respect of an Overdraft/ Cash Credit (OD/ CC);

c. If drawings are permitted for a continuous period of 90 days, in case of OD/ CC account where drawing power is sanctioned on the basis of stock statements/ receivable statements older than three months;

d. If it remains overdue for two crop seasons (rabi – rabi – rabi or kharif – kharif – kharif as the case may be) in the case of short duration crops and one crop season in the case of long duration crops;

e. If the amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitisation transaction;

f. If the overdue receivables representing positive mark-to-market value of a derivative contract remains unpaid for a period of ninety days from the specified due date for payment. In cases where the contract provides for settlement of the current mark-to-market value before maturity, only the current credit exposure (not the potential future exposure) shall be classified as a non-performing asset after an overdue period of ninety days;

g. A credit card account where the minimum amount due, as mentioned in the statement, is not paid fully within ninety days from the payment due date mentioned in the statement[1];

h. In cases where a bank has more than one exposure to a borrower, and any one of the exposures is classified as NPA in terms of extant prudential norms, then the bank shall consider all exposures to that borrower as NPA. In other words, NPA classification shall be applied at the level of the borrower;

i. The financial assets classified as NPA may be upgraded as 'standard' asset only if entire arrears of interest and principal are paid by the borrower. In case of borrowers having more than one credit facility from a bank, loan

[1] A bank shall report a credit card account as 'past due' to credit information companies (CICs) or levy penal charges, viz. late payment charges, etc., if any, only when a credit card account remains 'past due' for more than three days. The number of 'days past due' and late payment charges shall, however, be computed from the payment due date mentioned in the credit card statement. Further, in cases of corporate credit cards issued under the joint liability structure, overdue reporting and asset classification actions shall be applicable only for the corporate.

accounts shall be upgraded from NPA to standard asset category only upon repayment of entire arrears of interest and principal pertaining to all the credit facilities. For the purpose of this sub-para, the borrower and the co-borrower shall be treated as jointly and severally liable for repayment of the credit facility.

6. Special cases of asset classification

   a. The bills discounted under Letter of Credit (LC) favouring a borrower may not be classified as NPA, when any other credit facility granted to the borrower is classified as NPA. Notwithstanding the above clause, in case documents under LC are not accepted on presentation or the payment under the LC is not made on the due date by the LC issuing bank for any reason and the borrower does not immediately make good the amount disbursed as a result of discounting of concerned bills, the outstanding bills discounted will immediately be classified as NPA with effect from the date when the other facilities had been classified as NPA.

   b. Co-Lending Arrangements (CLA)

      Regulated Entities (REs) shall apply a borrower-level asset classification for their respective exposures to a borrower under CLA, implying that if either of the RE involved in the arrangement classifies its exposure to a borrower under CLA as SMA/ NPA on account of overdue in the CLA exposure, the same classification shall be applicable to the exposure of the other RE to the borrower under CLA. REs shall put in place a robust mechanism for sharing relevant information in this regard on a near-real time basis, and in any case latest by end of the next working day.

   c. Derivative Contracts

      (i) In case the overdues arising from forward contracts and plain vanilla swaps and options become NPAs, all other funded facilities granted to the client shall also be classified as NPA following the principle of borrower-wise classification.

      (ii) If the client concerned is also enjoying a CC/ OD facility from the bank, the receivables from the derivative contract may be debited to that

account on the due date and the impact of its non-payment shall be reflected in the CC/ OD facility account. The principle of borrower-wise asset classification would be applicable here also, as per these Directions.

d. Advances under consortium arrangements

(i) Asset classification of financial assets accounts under consortium shall be based on the record of recovery of the individual member bank and other aspects having a bearing on the recoverability of the financial asset advances.

(ii) Where the remittances by the borrower under consortium lending arrangements are pooled with one RE and/ or where the RE receiving remittances is not parting with the share of other members, the financial asset account shall be treated as not serviced in the books of the other members and therefore, be treated as NPA.

(iii) The bank participating in the consortium shall, therefore, arrange to get their share of recovery transferred from the lead bank or get an express consent from the lead bank for the transfer of their share of recovery, to ensure proper asset classification in their respective books.

e. Advances against Term Deposits

Financial assets secured by term deposits placed with the same bank, need not be treated as NPAs, provided margin[2] is available. However, this exemption from NPA classification is not available in cases where NPA classification is on account of application of para 5.h above.

f. Loans with moratorium for payment of interest

(i) In the case of financial assets where moratorium is available for payment of interest, payment of interest becomes 'due' only after the moratorium or gestation period is over. Such amounts of interest do not become overdue and hence do not become NPA, with reference to

[2] Margin here refers to value of term deposits as a percentage of the loan outstanding (inclusive of accrued interest), which shall not fall below 100% at any point of time.

the date of debit of interest. They become overdue after due date for payment of interest, if uncollected.

(ii) In the case of housing loan or similar advances granted to staff members where interest is payable after recovery of principal, interest need not be considered as overdue from the first quarter onwards. Such loans/ advances shall be classified as NPA only when there is a non-repayment of instalment of principal or payment of interest on the respective due dates.

g. Agricultural advances

(i) Depending upon the duration of crops raised by an agriculturist, the crop season based asset classification norms shall also be made applicable to agricultural term loans availed of by them.

(ii) The crop season based asset classification norms shall be made applicable only to the following credit facilities extended for agricultural activities:

(a) Loans to individual farmers [including Self Help Groups (SHGs) or Joint Liability Groups (JLGs), i.e. groups of individual farmers, provided a bank maintains disaggregated data of such loans], directly engaged in Agriculture only. This shall include:

i. crop loans to farmers, which shall include traditional / non-traditional plantations, and horticulture;

ii. medium and long-term loans to farmers for agriculture (e.g. purchase of agricultural implements and machinery and other developmental activities undertaken in the farm);

iii. loans to farmers for pre and post-harvest activities, *viz*., spraying, harvesting, grading and transporting of their own farm produce;

iv. loans to farmers up to ₹60 lakh against pledge/ hypothecation of agricultural produce (including warehouse receipts) for a period not exceeding twelve months;

v. loans to distressed farmers indebted to non-institutional lenders;

vi. loans to farmers under the Kisan Credit Card Scheme; and,

vii. loans to small and marginal farmers (SMFs) for purchase of land for agricultural purposes.

(b) Loans to corporate farmers, farmers' producer organizations/ companies (FPOs)/ (FPCs) of individual farmers, partnership firms and co-operatives of farmers directly engaged in agriculture only up to an aggregate limit of ₹4 crore per borrower. This will include:

i. crop loans to farmers which shall include traditional/ non-traditional plantations and horticulture;

ii. medium and long-term loans to farmers for agriculture (e.g. purchase of agricultural implements, technological solutions, machinery and developmental activities undertaken in the farm);

iii. loans to farmers for pre and post-harvest activities, viz., spraying, harvesting, sorting, and transporting of their own farm produce;

iv. loans up to ₹2.5 crore against pledge/ hypothecation of agricultural produce (including warehouse receipts) for a period not exceeding twelve months.

(c) Loans to Primary Agricultural Credit Societies (PACS), Farmers' Service Societies (FSS) and Large-sized Adivasi Multi- Purpose Societies (LAMPS) for on-lending to agriculture.

(iii) In respect of agricultural loans, other than those specified in Sl. No. (ii) above, identification of NPAs shall be done on the same basis as non-agricultural advances, which at present is the ninety days delinquency norm.

(iv) Where natural calamities impair the repaying capacity of agricultural borrowers for the purposes specified in Sl. No. (ii), a bank may decide

on their own as a relief measure conversion of the short-term production loan into a term loan or re-schedulement of the repayment period; and the sanctioning of fresh short-term loan, subject to Master Direction – Reserve Bank of India (Relief Measures by Banks in Areas affected by Natural Calamities) Directions 2018 – SCBs dated October 17, 2018, as updated from time to time.

(v) In such cases of conversion or re-schedulement, the term loan as well as fresh short-term loan may be treated as current dues and need not be classified as NPA.

(vi) The asset classification of these loans would thereafter be governed by the revised terms and conditions and would be treated as NPA if interest and/ or instalment of principal remains overdue for two crop seasons for short duration crops and for one crop season for long duration crops.

(vii) While fixing the repayment schedule in case of rural housing advances granted to agriculturists under Indira Awas Yojana/ Pradhan Mantri Gram Awas Yojana and Golden Jubilee Rural Housing Finance Scheme, a bank shall ensure that the interest/ instalment payable on such advances are linked to crop cycles.

h. Government guaranteed advances

(i) The financial assets backed by guarantee of the Central Government, though overdue, shall be treated as NPA only when the Government repudiates its guarantee when invoked.

(ii) The exemption in Sl. No. (i) above is not for the purpose of recognition of income.

(iii) In case of restructuring of an exposure guaranteed by Central Government, the account shall be retained as standard, subject to Government reaffirming the guarantee and restructuring terms and conditions.

i. Export Project Finance

(i) In respect of export project finance, there could be instances where the actual importer has paid the dues to the commercial bank abroad but the commercial bank in turn is unable to remit the amount due to political developments such as war, strife, UN embargo, etc.

In such cases, where the lending bank is able to establish through documentary evidence that the importer has cleared the dues in full by depositing the amount in the commercial bank abroad before it turned into NPA in the books of the bank, but the importer's country is not allowing the funds to be remitted due to political or other reasons, the asset classification may be made after a period of one year from the date the amount was deposited by the importer in the commercial bank abroad.

7. A bank shall further classify non-performing assets into the following categories based on the period for which the asset has remained non-performing and the realizability of the dues.

(i) **Sub-standard asset**: An asset, which has remained NPA for a period less than or equal to twelve months. A Sub-standard asset will have well defined credit weaknesses that jeopardise the liquidation of the debt and is characterised by the distinct possibility that the bank will sustain some loss, if deficiencies are not corrected.

(ii) **Doubtful asset***:* An asset, which has remained in the substandard category for a period of twelve months. A doubtful asset has all the weaknesses inherent in assets that were classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full – on the basis of currently known facts, conditions and values – highly questionable and improbable.

(iii) **Loss asset**: An asset, where loss has been identified by a bank or internal or external auditors or the inspection conducted by the Reserve Bank of India, but the amount has not been written off wholly by the bank. A loss asset is considered uncollectible and of such little value that its

continuance as a financial asset is not warranted although there may be some salvage or recovery value.

Other Prudential Norms applicable to a bank

8. The asset classification norms under these Directions shall be without prejudice to the requirements as laid down under Transfer of Loan Exposures - Reserve Bank of India (Transfer of Loan Exposures) Directions, 2021, as updated from time to time.

9. A bank shall ensure that while granting credit facilities, realistic repayment schedules are fixed on the basis of borrower's cash flows. This would go a long way in facilitating prompt repayment and improving the record of recovery.

10. In order to enhance transparency, lenders shall ensure that the loan contract provides for, *inter alia*, exact due dates for repayment of loan, breakup between principal and interest, schedule of other charges, illustration of SMA/ NPA classification and its impact on credit profile of the borrower, schema for appropriation of repayments[3] etc. The borrower shall be apprised of the same at the time of loan sanction and also at the time of any subsequent changes to the sanction terms/ loan agreement till full repayment of the loan.

11. A bank shall flag a borrower account as overdue, if so, as part of their day-end processes for the due date, irrespective of the time of running such processes.

12. Similarly, bank shall establish appropriate internal systems (including technology enabled processes) for proper, timely identification and classification of assets, on the basis of objective criteria of record of recovery. Classification of borrower accounts as NPA shall be done as part of day-end process for the relevant date and the NPA classification date shall be the calendar date for which the day-end process is run. Thus, the date of NPA shall reflect the asset classification status of an account at the day-end of that calendar date.

[3] It shall be applied across all loan accounts in a uniform and consistent manner. In the case of non-performing assets, appropriation sequence shall also consider any legal requirement for accounts under insolvency/ recovery proceedings.

Illustration: If due date of a loan account is March 31, 2021, and full dues are not received before the lending institution runs the day-end process for this date, the date of overdue shall be March 31, 2021.

If the account continues to remain overdue further, it shall get classified as NPA upon running day-end process on June 29, 2021.

13. A bank shall compute their Gross Advances, Net Advances, Gross NPAs and Net NPAs as per the format specified under ***Annex 4*** of these Directions.

Chapter III: Expected Credit Loss (ECL) – based Provisioning

The Methodological Framework for calculating ECL

14. The following financial instruments shall be under the scope of this Chapter:

i) Loans;

ii) Debt securities not measured at Fair Value Through Profit or Loss (FVTPL);

iii) Trade receivables;

iv) Lease receivables;

v) Loan commitments/ undrawn commitments;

vi) Off-balance-sheet credit exposures; and,

vii) Any other financial assets having contractual right to receive cash.

15. Determining ECL requires a bank to make an assessment, at each reporting date, if the credit risk on a financial instrument has increased significantly since initial recognition. If so, the bank is required to make a loss allowance, estimated based on lifetime expected credit losses.

16. While there may be various approaches to the calculation of ECL, a bank shall use a general approach consisting of three key functions i.e. Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD), conforming to the instructions and principles outlined in these Directions. Chapter-V of these Directions contain certain broad principles to be followed by a bank for ensuring prudence and robustness while using models in the process of ECL computation.

Initial Recognition

17. A bank shall initially measure and recognise financial assets such as loans in their books at fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, such assets shall be measured at amortised cost.

18. Initial recognition of investments such as debt securities, which come under the purview of these Directions shall be as per the *MD on Classification, Valuation and Operation of Investments Portfolio of Commercial Banks, 2023* as amended from time to time.

19. For loan commitments and guarantees, the date that the bank becomes a party to the irrevocable commitment shall be considered to be the date of initial recognition for the purposes of applying the requirements of impairment under ECL.

20. POCI may be considered in Stage-1 at the time of initial recognition.

Determination of Significant Increase in Credit Risk (SICR)

21. A bank shall recognise lifetime ECL for all financial instruments evidencing SICR since initial recognition. For this purpose, a bank shall adopt a "three-stage" approach, based on the credit quality of the financial instrument at the time of initial recognition, or on any subsequent reporting date:

    i) **Stage 1:** A financial instrument is said to be under Stage 1, when it has not had a SICR since initial recognition or has low credit risk as determined in terms of Para 29 of these Directions. For these instruments, 12-month ECL shall be recognized.

    ii) **Stage 2:** A financial instrument is said to be under Stage 2, when it has had a SICR since initial recognition but is not considered to be 'credit impaired'. For such financial instruments, lifetime ECL shall be recognised.

    iii) **Stage 3:** A financial instrument is said to be under Stage 3, when it is considered to be 'credit impaired' at the reporting date. For such instruments, lifetime ECL shall be recognised.

22. At each reporting date, bank shall assess whether the credit risk on the financial instrument has increased significantly since initial recognition. When making the assessment, bank shall use the change in the probability of "default" occurring over

the expected life of the financial instrument, instead of the change in the amount of ECL. To make that assessment, a bank shall compare the risk of a default occurring on the financial instrument as at the reporting date, with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

Provided that, in case of financial instruments having a high likelihood of default within 12 months, and where default is not envisaged at a specific point beyond 12 months, a 12-month period can be taken as a good approximation for assessment of life time probability of default.

23. When information that is more forward looking than overdue status (either on an individual or a collective basis) is not available without undue cost or effort, bank may use overdue information to determine whether there have been significant increases in credit risk since initial recognition.

24. The criteria adopted for determining SICR in all cases must be duly documented. ***Annex 1*** *of these Directions contains an illustrative list of information that may be relevant in assessing changes in credit risk.*

25. The parameters that may be used by bank to determine SICR shall be used consistently. Some of the indicators of consistency may be as under:

i) If the bank uses “downgrade of a borrower by a recognised credit rating agency/ bank’s internal credit rating system” as a parameter for determining SICR for certain instrument/ portfolio, the internal policy of the bank shall clearly define the number of notches an instrument/ portfolio shall move down to be considered for having SICR. This shall be used consistently for each instrument/portfolio.

ii) If the bank uses “increase in pricing of a loan” as a parameter for determining SICR for certain instrument/ portfolio, the quantum of increase in pricing that will result in SICR shall be part of the internal policy. This must be used consistently for each instrument/portfolio.

iii) If the bank uses “deterioration of the macroeconomic outlook relevant to a particular instrument/ portfolio” as a parameter for determining SICR for certain

instrument/ portfolio, the macroeconomic parameters and the quantum of deterioration shall be part of the internal policy.

26. A bank may, at its discretion, adopt an approach to recognise SICR and compute ECL for specific segments on a collective basis, subject to the underlying individual instruments satisfying certain shared credit risk characteristics. Examples of shared credit risk characteristics may include, but are not limited to:

    i) instrument type;

    ii) credit risk ratings;

    iii) collateral type;

    iv) remaining term to maturity;

    v) industry;

    vi) geographical location of the borrower; and,

    vii) the value of collateral relative to the financial asset if it has an impact on the probability of a default occurring etc.

27. Further, even where a bank has identified such segments, recognition of SICR and lifetime ECL can be undertaken on a portion of the segment, i.e. it is not necessary that the entire segment is subject to lifetime ECL, when it is demonstrably evident that only a part of the segment has seen SICR.

28. Regardless of the way in which a bank assesses SICR, there shall be a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than “30 days past due” and the bank shall make lifetime ECL in respect of such facility. A bank may rebut this presumption if it has reasonable and supportable information that demonstrates that the credit risk has not increased significantly since initial recognition, even though the contractual payments are more than 30 days past due.

29. A bank may not be required to test these instruments for SICR:

    i) SLR eligible investments;

ii) direct claims on central government (i.e., excluding claims that arise from exposures that are guaranteed by the central government); and,

iii) exposures to the extent guaranteed by the central government[4], provided that the guarantee contains suitable clauses mandating invocation within a specified period (say, 60 days) from the due date and payment of the guarantee amount within a reasonable period (say, 30 days) after the invocation.

30. A bank is not required to maintain Stage 1 ECL for the exposures mentioned in para 29 above.

Measurement of Credit losses – Treatment of different Financial Instruments

31. "Credit loss" for different types of financial instruments can be calculated as below:

i) For loans and similar financial assets, a credit loss is the difference between the present values of:

a. the contractual cash flows that are due to the bank under the contract; and,

b. the cash flows that the bank expects to receive.

ii) For undrawn loan commitments, a credit loss is the difference between the present values of:

a. the contractual cash flows that are due to the bank if the borrower draws down the loan; and

b. the cash flows that the bank expects to receive if the loan is drawn down.

iii) For a guarantee, cashflow shortfalls are the expected payments to reimburse the beneficiary of the guarantee for a credit loss that the issuing bank incurs, less any amount that the bank expects to receive from the beneficiary, the debtor or any other party.

[4] Including Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), Credit Risk Guarantee Fund Trust for Low Income Housing (CRGFTLIH) and individual schemes under National Credit Guarantee Trustee Company Ltd (NCGTC), subject to compliance to conditions stipulated in circular DOR.STR.REC.67/21.06.201/2022-23 dated September 07, 2022

iv) For lease receivables and trade receivables, loss allowances shall always be measured at an amount equal to lifetime ECL irrespective of the stage of the instrument. A bank may use "Simplified Approach" for the same. The details of the Simplified approach are contained in ***Annex 2*** of these Directions.

32. A bank's estimate of ECL on loan commitments shall be consistent with its expectations of drawdowns on that loan commitment, i.e. it shall consider the expected portion of the loan commitment that will be drawn down within 12 months of the reporting date when estimating 12-month ECL, and the expected portion of the loan commitment that will be drawn down over the expected life of the loan commitment when estimating lifetime ECL.

33. It may be noted that since ECL considers the amount and timing of payments, a credit loss arises even if the bank expects to be paid in full but later than when contractually due.

Determination of Lifetime ECL

34. The periods which are considered as the lifetime for estimating the ECL may vary for different types of financial instruments. In order to maintain consistency in the definition of lifetime, a bank shall be guided by the following for assessment of lifetime for different financial instruments:

i) **Financial instruments without undrawn component:** The maximum period to consider when measuring the lifetime ECL is the maximum contractual period (including extension options) over which the bank is exposed to credit risk and not a longer period, even if that longer period is consistent with business practice.

ii) **Loan commitments with undrawn components/ revolving facilities:**

a. **Financial instruments having both loan and an undrawn commitment:** In cases of such financial instruments, a bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit its exposure to credit losses to the contractual notice period. For such financial instruments the bank shall measure ECL over the period that the bank is exposed to credit risk and ECL

would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period.

b. **Revolving loan commitments without auto renewal** (working capital demand loans, cash credit, overdraft facilities etc): The maximum period to consider when measuring ECL is the maximum contractual period (including extension options) over which the bank is exposed to credit risk. The contractual maturity may be considered as the point of renewal for working capital facilities if the bank can evidence that the review mechanism at renewal is significant and there are instances of significant changes to terms and conditions such as change in limits, change in security, revised pricing, rating review etc. at the time of renewal, depending on the changes in financial and other conditions of the account, as applicable. This assessment may be undertaken at individual/ portfolio level to verify if sufficient instances of such changes have been observed thus demonstrating the strength of the credit review or renewal process.

c. **Revolving facilities with auto renewal as per contract** (Example: credit cards): In the case of such instruments such as credit card, behavioural data on default for cohorts sourced at different time points may need to be analysed by the bank.

iii) **Guarantee**: The period over which ECL shall be measured is the maximum contractual period over which the bank has a present contractual obligation to pay or perform as per the terms of the contract.

Probability-weighted outcome

35. The purpose of estimating ECL is neither to estimate a worst-case scenario nor to estimate the best-case scenario. The estimate of ECL shall reflect an unbiased and probability-weighted amount of loss allowance by evaluating a range of possible outcomes.

36. For the above purpose, a bank shall use multiple scenarios with each scenario representing relationship between key components of ECL and the relevant macroeconomic variable.

37. The weightage of each estimate of “credit losses” shall be determined by the bank after extensive deliberation by its Top Management on the basis of inputs provided by data analysis and domain experts.

Effective Interest Rate

38. ECL for a financial instrument shall be computed using the EIR determined at initial recognition.

39. The determination of EIR on a financial instrument shall include all payments made or received under the loan agreement between parties to the contract, and shall include all fees, commissions etc besides the loan disbursals, interest payments and loan repayments.

40. ECL on guarantee contracts or on loan commitments for which the EIR cannot be determined shall be discounted by applying a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows.

Collateral

41. For computation of ECL, the estimate of expected cash shortfalls shall reflect the cash flows expected from collateral and other credit enhancements that are part of the contractual terms. The estimate of expected cash shortfalls on a collateralised financial instrument reflects the amount and timing of cash flows that are expected from sale of the collateral less the costs of obtaining and selling the collateral. In respect of Stage 3 financial instruments, for exposures beyond ₹5 crore, the collateral charged in favour of the bank shall be valued compulsorily once upon classification and thereafter every two years or lesser by the valuers appointed as per the bank’s internal policy. In case of stock, such valuation shall be on an annual or a lesser frequency. Frequency of valuation of other exposures may be determined as per the internal policy of the bank in this regard

Building Blocks for Computing ECL

Governance Framework

42. The credit policy of a bank shall cover all aspects relating to the ECL lifecycle. A bank's board of directors shall be responsible for implementation and functioning of the ECL Framework on an ongoing basis.

43. A subcommittee of the board/ board approved committee consisting of Chief Financial Officer (CFO) and Chief Risk officer (CRO), specifically formed for ECL purposes, shall monitor the effectiveness of bank's internal control and ensure robust implementation of approach towards ECL. The focus area of the subcommittee shall inter alia include:

i) reviewing and challenging ECL implementation strategy by the management team.

ii) Checking whether the ECL computation methodologies and assumptions used are consistent and aligns with the risk management practices.

iii) Ensuring data integrity throughout the entire lifecycle of ECL computation.

iv) Ensuring effective and robust governance and controls framework over ECL estimation.

v) Ensuring complete independence of internal model validation function and suitability of the coverage.

vi) Establishing key performance indicators (KPIs) relating to ECL estimation and processes for regular reporting of those KPIs.

vii) Ensuring high-quality disclosures before, during and after transition.

viii) Ensuring compliance with applicable regulations, internal policies and procedures.

Credit Risk Drivers

44. A bank shall have a sound credit risk assessment and measurement process. The same systems, tools and data, which are used by the bank to assess credit risk of their financial instruments, shall be used to provide inputs for computation of ECL

i.e., there shall be commonality in the processes, systems, tools and data used for assessment of credit risk and measurement of ECL.

45. A bank shall have an effective credit risk rating system where each “credit risk grade” is clearly defined and consistently applied, and which accurately grades differing credit risk characteristics, identifies changes in credit risk on a timely basis, and prompts appropriate action.

46. An effective “credit risk rating system” shall comprehensively capture the varying level, nature and drivers of credit risk that may manifest themselves over time in a financial instrument, in order to reasonably ensure that all lending exposures are properly monitored and that ECL allowances are appropriately measured.

Data Aggregation and Management

47. The credit risk data collected by the bank shall be granular enough to provide deeper insights into the borrowers’ credit profile so that borrowers of similar risk characteristics are segmented together.

48. A bank shall develop comprehensive processes for identification, assessment and management of data quality risks associated with data that are fed into models or used at various stages of ECL computation. The processes shall be applicable to both internal as well as external data. It shall also ensure effective management of historical data.

49. During the process of “data aggregation” (internal of external), a bank shall avoid material inconsistency or cherry-picking of data as it will result in inaccurate/ biased ECL outcome. A bank may exclude certain information during “data aggregation” only if it has no material impact on the ECL computation.

50. A bank shall maintain sufficient historical loss data which shall be adequate enough to mitigate the vagaries of the business cycles and associated outliers (at least over a period of five years) to provide a meaningful analysis of its credit loss experience for use as a starting point when estimating the level of allowances on a collective or individual basis.

Segmentation of Exposures

51. While computing ECL at a portfolio level, a bank shall group exposures into segments with shared credit risk characteristics so that the bank can reasonably assess changes in credit risk and thus the impact on the estimate of ECL. A bank's methodology for segmenting exposures to assess credit risk shall be documented and subject to appropriate review and internal approval.

52. The basis of grouping into a segment shall be reviewed to ensure that exposures within the group remain homogeneous in terms of their response to credit risk drivers.

53. Segments implemented upon initial recognition based on similar credit risk characteristics need not necessarily remain appropriate subsequently, given that the relevant characteristics and their impact on the level of credit risk for the group may change over time. In such cases, the grouping of exposures into various segments shall be re-evaluated and exposures shall be re-segmented if relevant new information is received, or a bank's changed expectations of credit risk suggest that a permanent adjustment is warranted.

54. Exposures shall not be grouped in such a way that an increase in the credit risk of particular exposure is masked by the performance of the group as a whole.

Forward looking information

55. A bank shall include factors that are specific to the borrower, general economic conditions and an assessment of both the current as well as the forecast of macroeconomic variables at each reporting date for assessment of ECL. While estimating ECL for longer time horizons involving greater degree of judgment[5] than an objective assessment, a bank may rely on internal projections based on the available information.

56. Historical information is an important anchor or base to measure ECL. However, a bank shall adjust historical data, such as Observed Default Rate (ODR), on the basis of current observable data to reflect the effects of the current conditions and

[5] The degree of judgement that is required to estimate ECL depends on the availability of detailed information. As the forecast horizon increases, the availability of detailed information may decrease, and the degree of judgement required to estimate ECL may potentially increase

its forecasts of future conditions that did not affect the period on which the historical data is based. A bank shall regularly review the methodology and assumptions used for estimating ECL to reduce any differences between estimates and actual credit loss experience.

57. In certain cases, where there is no historical data availability of ODR, a bank may use suitable benchmarks which shall be periodically validated.

58. Links between macroeconomic variables and credit risk drivers must be clearly established. When statistical linkages are weak, experienced credit judgment shall guide ECL estimates, with the rationale thoroughly documented and rigorously reviewed at appropriate governance levels. Judgment shall account for the bank's position in the credit cycle to ensure context-specific estimates.

59. A bank shall develop a disciplined and high-quality approach towards assessment and measurement of ECL; and shall have in place adequate processes and systems to ensure utmost control to ensure that ECL computation outcome is unbiased.

Model Risk Management

60. ECL assessment and measurement may involve a number of models, with some models providing input to the next model during the ECL computation lifecycle. A bank shall implement a three-stage model risk management framework as part of internal control to ensure accountability:

- **Front-Line Operations**: Model owners shall oversee development, implementation, and usage, ensuring proper approval and validation, promptly addressing changes, and maintaining accountability for performance within bank's policies.
- **Risk Management and Compliance**: The risk management team shall identify ECL ecosystem risks through a risk control function, conducting independent validations, managing risk limits, developing action plans, and controlling model usage or restrictions.

- **Internal Audit**: Internal audit shall provide objective assurance on the effectiveness of the first two stages, reporting to the board and audit committee on ECL and model risk management.

Key principles of model risk management that shall be followed while implementing ECL framework within a bank are detailed in Chapter V.

Other Prudential Aspects of ECL framework

61. ECL allowances for Stage 2 and Stage 3 financial instruments shall be considered as specific provisions. A bank may consider Stage 1 ECL allowances as general provisions for inclusion in Tier 2 capital up to the extant prescribed limits.

Level of Application

62. In cases where a bank has more than one exposure to a borrower, and any one of the exposures moves to Stage 3, then the bank shall consider all exposures to that counterparty as a Stage 3 asset respectively. In other words, Stage 3 status shall be applied at the level of the borrower.

Upgradation of accounts

63. Upgradation of restructured accounts from Stage 3 to Stage 1 shall be as per applicable provisions under the extant Prudential Framework of Resolution for Stressed Assets dated June 07, 2019, as amended from time to time.

Further, an instrument in Stage 3 can be brought to Stage 2 after all the irregularities, due to which it was classified under Stage 3, are rectified. A bank shall keep such Stage 3 instruments in Stage 2 for minimum six months after all the irregularities are rectified, before the same is brought to Stage 1. However, a restructured financial instrument which has satisfactorily completed its monitoring period may directly move to Stage 1.

Prudential Floors for ECL

64. The ECL estimates arrived at by the bank at Stage 1 and 2 shall be subject to the following product-wise prudential floors as a regulatory backstop:

Loan Product	Stage 1 Floor		Stage 2 Floor
Secured retail loans[6]	0.40%		5%
Corporate Loan	0.40%		5%
Loan to Small and Micro enterprises	0.25%		5%
Loan to Medium Enterprises	0.40%		5%
Home loans and Loan against Property	0.40%		1.50%
Project Finance	**Construction Phase**	**Operational Phase**	
CRE	1.25%	1.00%	Additional 0.375%/0.5625%[7]
CRE-RH	1.00%	0.75%	
Other Project Finance Exposures	1.00%	0.40%	
Unsecured Retail Loans	1%		5%
Loan against FD	0.40%		0.40%
Gold Loan	0.40%		1.50%
Credit equivalent exposures of off-balance sheet exposures	0.40%		5%
Farm Loans	0.25%		5%
Any other loan not covered above	0.40%		5%

65. The prudential floor for financial instruments that have moved into Stage 3 shall be as below:

i) For all corporate loans, loan to Small and Micro enterprises, loan to Medium Enterprises, loan to CRE, loan to CRE-RH, loans for project under implementation, farm loans and Credit equivalent exposures of off-balance sheet exposures and loan to Banks, NBFCs and other Regulated FIs and other secured loans:

[6] Retail loans having 100% coverage with primary security/collateral.

7 For accounts which have availed DCCO deferment and are classified as 'standard', lenders shall maintain additional specific provisions of 0.375% for infrastructure project loans and 0.5625% for non-infrastructure project loans (including CRE and CRE-RH), for each quarter of deferment, over and above the applicable Stage 1 provision in terms of Reserve Bank of India (Project Finance) Directions, 2025 dated June 19, 2025 as amended from time to time.

Duration in Stage 3	Stage 3 floor (in per cent)
0-1 year	25/40*
1-2 years	40/100*
2-3 years	55/100*
3-4 years	75/100*
After 4 years	100%
*Unsecured portion	

ii) For Unsecured Retail Loans

Duration in Stage 3	Stage 3 floor (in per cent)
0-1 year	25%
After 1 year	100%

iii) For Home Loans/ Loan against property, Gold loans, loan against FD, LIC policy, Kisan Vikas Patra etc.

Duration in Stage 3	Stage 3 floor (in per cent)
0-1 year	10/25*
1 – 2 years	20/100*
2 – 3 years	30/100*
3-4 years	40/100*
More than 4 years	100%
*Unsecured portion	

Explanation:

For determining the amount of unsecured advances, the rights, licenses, authorisations, etc., charged to the bank as collateral in respect of projects (including infrastructure projects), shall not be reckoned as tangible security. Hence such advances shall be reckoned as unsecured. However, in the case of infrastructure projects, the debt due to the bank may be considered as secured to the extent assured by the project authority in terms of the concession agreement, subject to the following conditions:

a) The borrower entity is restricted from acting to the detriment of the creditors i.e., the borrower is not permitted to issue additional debt without the consent of existing lenders.
b) The borrower entity has sufficient reserve funds or other financial arrangements to cover the contingency funding and working capital requirements of the project.
c) The revenues are availability-based or subject to a rate-of-return regulation or take-or-pay contract. For instance, banks may treat annuities under build-operate-transfer (BOT) model in respect of road/ highway projects and toll collection rights, where there are provisions to compensate the project sponsor if a certain level of traffic is not achieved, as tangible securities subject to the condition that banks' right to receive annuities and toll collection rights is legally enforceable and irrevocable.
d) The borrower entity's revenue depends on one main counterparty and this main counterparty is a central government, PSE or a corporate entity with a risk weight of 80 per cent or lower;
e) The contractual provisions governing the exposure to the borrower entity provide for a high degree of protection, such as escrow of cash flows and legal first claim for the bank, in case of a default of the borrower entity.
f) The main counterparty or other counterparties which similarly comply with the eligibility criteria for the main counterparty will protect the bank from the losses resulting from a termination of the project;
g) All assets and contracts necessary to operate the project have been charged in favor of the bank to the extent permitted by applicable law; and
h) The bank may assume control of the borrower entity or substitute the borrower entity or trigger termination in case of default.

66. A bank shall apply the above floors at the loan product level. The same shall also act as floor for investments coming under the purview of ECL, depending on the type of the issuer of the investment product.

67. For loan commitment/ undrawn commitment, ECL floor will be same as floor for loans on exposures arrived at after application of Credit Conversion Factors (CCFs).

68. For off-balance-sheet credit exposures *viz.* financial guarantee and performance Guarantee, ECL floor will be same as those applicable for loans on exposure arrived at after application of CCFs as per the applicable Basel norms on capital adequacy for banks in India, as amended from time to time.

    *Currently applicable details of CCF are provided in **Annex 3** of these Directions.*

69. A bank may utilise existing stock of floating provisions/ countercyclical provisioning buffer, if any, towards provisioning for ECL.

Regulatory Probability of Default (PD)

70. The 12-month PD for any instrument that comes under the purview of ECL shall not be taken as less than 0.05%.

Regulatory Loss Given Default (LGD)

71. For ECL computation, a bank shall calculate their own LGD based on historical information and future macroeconomic projections. However, if the bank find itself unable to correctly estimate LGD, it may take resort to the below regulatory backstops.

	Secured Portion	Unsecured Portion
Regulatory LGD	65%	70%

72. For loans or portion of loan secured by eligible collateral which act as credit risk mitigants in terms of Master Circular – Basel III Capital Regulations, a bank may use LGD of 45% if the same is not estimated internally.

Exposure at Default (EAD)

73. A bank shall properly estimate EAD, for the purpose of computation of ECL, based on the behaviour of the financial instrument in the past and future macroeconomic projections.

Additional provisions in Specific cases

74. The provisioning requirements in respect of these specific transactions or exposures shall also be additionally subjected to other relevant Directions (over and above the provisions held in terms of these Directions), as mentioned below:

a. For Resolution of Stressed Assets - Reserve Bank of India (Prudential Framework for Resolution of Stressed Assets) Directions, 2023, as updated from time to time.

b. For Unhedged Foreign Currency Exposure - Reserve Bank of India (Unhedged Foreign Currency Exposure) Directions, 2022.

c. Exposures exceeding Normally Permitted Lending Limit (NPLL) - Guidelines on 'Enhancing Credit Supply for Large Borrowers through Market Mechanism' dated August 25, 2016, as updated from time to time.

d. Provisions for country risk

(i) A bank shall make provisions, on the net funded country exposures on a graded scale ranging from 0.25 to 100 percent according to the risk categories as per the following schedule:

Risk category	ECGC Classification	Provisioning Requirement (per cent)
Insignificant	A1	0.25
Low	A2	0.25
Moderate	B1	5
High	B2	20
Very high	C1	25
Restricted	C2	100
Off-credit	D	100

(ii) A bank shall make provision for country risk in respect of a country where its net funded exposure is one per cent or more of its total assets.

(iii) The provision for country risk shall be in addition to the provisions required to be held according to the asset classification status of the asset.

(iv) Notwithstanding Sl. No. (iii), in the case of 'loss assets' and 'doubtful assets', provision held, including provision held for country risk, shall not exceed 100% of the outstanding.

(v) A bank may not make any provision for 'home country' exposures i.e. exposure to India.

(vi) The exposures of foreign branches of Indian commercial banks to the host country shall be included for the computation of provision requirements.

(vii) A Foreign bank shall compute the country exposures of its Indian branches and shall hold appropriate provisions in their Indian books. However, their exposures to India will be excluded for the above purpose.

(viii) A bank may make a lower level of provisioning (say 25% of the requirement) in respect of short-term exposures (i.e. exposures with contractual maturity of less than 180 days).

e. Provisions under circular DBR.IBD.BC.No.68/23.37.001/2015-16 dated December 31, 2015 on '*Extension of Credit Facilities to Overseas Step-down Subsidiaries of Indian Corporates'*.

f. Provisioning in respect of cases of fraud

(i) A bank shall provide for the entire amount due to the bank or for which the bank is liable (including in case of deposit accounts), immediately upon a fraud being detected.

(ii) While computing the provisioning requirement, a bank may adjust financial collateral eligible under Basel III Capital Regulations - Capital Charge for Credit Risk (Standardised Approach), if any, available with them with regard to the accounts declared as fraud account.

g. Provisioning requirements for derivative exposures: Credit exposures computed as per the current marked to market value of the contract, arising on account of the interest rate & foreign exchange derivative transactions, credit default swaps and gold, shall attract provisioning requirement as applicable to the loan assets in the 'standard' category, of the concerned counterparties.

h. Reserve for Exchange Rate Fluctuations Account (RERFA)

When exchange rate movements of Indian rupee turn adverse, the outstanding amount of foreign currency denominated loans (where actual disbursement was made in Indian Rupee) which becomes overdue, goes up correspondingly, with its attendant implications of provisioning requirements. Such assets shall not normally be revalued. In case such assets need to be revalued as per requirement of accounting practices or for any other requirement, the following procedure may be adopted:

i. The loss on revaluation of assets has to be booked in the bank's Profit & Loss Account.
ii. In addition to the provisioning requirement as per Asset Classification, the full amount of the Revaluation Gain, if any, on account of foreign exchange fluctuation shall be used to make provisions against the corresponding assets.

i. Advances restructured on account of Natural Calamities:

Advances restructured and classified as standard in terms of the Master Direction – Reserve Bank of India (Relief Measures by Banks in Areas affected by Natural Calamities) Directions 2018 – SCBs (as updated from time to time) shall attract an additional provision of five per cent over and above the provisions determined in terms of these Directions.

j. Willful Defaulters

In respect of existing loans/exposures to companies having director/s (other than nominee directors of government/ financial institutions brought on board at the time of distress), whose name/s appear in the list of wilful defaulters, an additional provision of five per cent shall be provided over and above the provisions determined in terms of these Directions.

75. The requirements in these Directions shall be without prejudice to the provisions of any other statute or applicable regulation in force.

Consolidated Financials

76. For the preparation of consolidated financial statement, subsidiaries/ joint ventures etc., shall prepare their financial statements as per extant accounting/ regulatory norms.

Transition Arrangements

77. It has been decided to introduce a transitional arrangement for the impact of ECL based provisioning on regulatory capital by giving bank time to rebuild their capital resources following a possible negative impact arising from the introduction of ECL accounting.

78. The transitional adjustment amount, i.e., the difference between the ECL required as on April 1, 2027 (computed based on the balance sheet position as on March 31, 2027), and the provisions held as per the extant IRACP norms as on March 31, 2027 may, at the option of the bank, be added back to the Common Equity Tier 1 (CET 1) capital. This benefit shall be provided till March 31, 2031 as per the table below. A bank may choose to spread the transition over a shorter period.

$$\text{Transitional Adjustment Amount} = \text{f} \times \text{Max}\left(0, \text{ECL}_{\text{Apr 1,2027}} - \text{IRAC Provisions}_{\text{Mar 31,2027}}\right)$$

where,

- $\text{ECL}_{\text{Apr 1,2027}}$ is the ECL required as on April 1, 2027 (computed based on the balance sheet position as on March 31, 2027)
- $\text{IRAC Provisions}_{\text{Mar 31,2027}}$ is the stock of provisions held as per IRACP norms as on March 31, 2027

And $'\text{f}'$ can have the maximum value as per the table below:

Financial Year	**Maximum fraction of transitional adjustment amount that may be added back to CET 1 capital**
2027-28	$^4/_5$
2028-29	$^3/_5$
2029-30	$^2/_5$
2030-31	$^1/_5$

79. The transitional adjustment amount included in CET1 capital each year during the transition period shall be taken through to other measures of capital as appropriate

(e.g. Tier 1 capital and total capital), and hence to the calculation of the leverage ratio and of large exposures limits. However, the transitional adjustment amount as added back above shall not be:

i) included in Tier 2 capital;

ii) used to reduce exposure amounts in the standardised approach; and,

iii) used to reduce the total exposure measure in the leverage ratio.

80. A bank shall make appropriate disclosures in their financial statements on the following aspects:

i) whether a regulatory transitional arrangement has been applied; and,

ii) the impact on the bank's regulatory capital and leverage ratios compared to the bank's "fully loaded" capital and leverage ratios had the transitional arrangement not been applied.

81. A bank shall continue to calculate and make provisions as per the ECL framework from the FY 2027-28 onward, irrespective of the application of the transitional arrangement.

Chapter IV: Income Recognition

82. Interest Income for financial assets such as loans shall be calculated by applying the "effective interest rate" to gross carrying amount of a financial asset during Stage 1 and Stage 2. Interest income on investments, which come under the purview of these Directions, shall be recognized in terms of *MD on Classification, Valuation and Operation of Investments Portfolio of Commercial Banks, 2023* as amended from time to time.

83. In respect of other financial assets, i.e., the assets that are:

a. Purchased or originated credit-impaired financial asset (POCI) – A bank shall apply the credit-adjusted effective interest rate to the amortised cost of the financial asset since initial recognition.

b. financial assets that are not POCI but subsequently have become credit-impaired or considered under default - shall apply the original effective interest rate to the amortised cost of the financial asset in subsequent

reporting periods from the date of the asset becoming credit impaired, i.e., being classified as Stage 3.

84. The amount of interest revenue accrued for financial asset as determined in para 83 (a) and 83 (b) above shall be debited to P&L as an additional ECL provision. A bank may transfer the same to a specific loss allowance account to keep a track of dues.

85. A bank that, in a reporting period, has calculated interest revenue by applying the EIR to the amortised cost of a financial asset in accordance with para 83 (b), shall, in subsequent reporting periods, calculate the interest revenue by applying the EIR to the gross carrying amount if the credit risk on the financial instrument improves so that the financial asset is no longer credit-impaired or considered under default and the improvement can be related objectively to an event occurring after the requirements in para 83 (b) were applied.

86. All aspects, other than those covered in these Directions, relating to investments shall be governed by *MD on Classification, Valuation and Operation of Investments Portfolio of Commercial Banks, 2023* as amended from time to time.

Chapter V – Principles for Model Risk Management under ECL

87. In order to achieve accurate, transparent, and compliant ECL computation, a bank shall adhere to a cohesive set of principles governing model selection, management, validation, monitoring, and governance. These principles provide a framework to ensure reliability and accountability in estimating credit losses across diverse portfolios, balancing regulatory compliance with informed judgment.

Comprehensive Model Inventory

88. A bank shall maintain a robust model inventory framework to systematically catalogue all ECL models. This inventory shall include key details such as model owners, developers, and users; tiering based on risk and materiality; intended uses (e.g., regulatory or internal); dependencies with upstream and downstream models; and the status of validation, monitoring, and controls. A well-structured inventory promotes effective oversight and serves as a centralized resource for management and validation teams.

Categorisation of Models Through Risk-Based Tiering

89. A risk-based model tiering process shall be adopted by the bank to classify models according to their risk and output materiality. This tiering shall guide the frequency and rigor of validation efforts, ensuring higher scrutiny for models with greater impact. Periodic review by an independent team shall validate the tiering approach to maintain alignment with the bank's risk profile and enhance its effectiveness.

Model Documentation

90. A bank shall employ models tailored to specific portfolios, with complexity adjusted to portfolio type and segmentation. Comprehensive documentation shall articulate the ECL assessment approach for each exposure or portfolio, justifying the suitability of chosen methods, particularly when varied approaches are applied across portfolios. Changes to measurement approaches shall be supported by clear rationale and quantified impacts to ensure transparency and traceability.

Structured Lifecycle Approach

91. ECL models shall be managed through a structured lifecycle encompassing development, pre-implementation validation, implementation, usage and monitoring, independent validation, and recalibration or retirement. Each model shall have a detailed prospectus outlining its methodology, limitations, and initial validation outcomes, accessible to validation teams and management for effective oversight. Documentation shall capture all inputs, data, and assumptions (e.g., PD, LGD, economic forecasts) and explain how exposure life is determined, incorporating prepayments, defaults, historical loss periods, and forward-looking adjustments.

Integration of Macroeconomic Variables

92. Macroeconomic variables shall be suitably incorporated into ECL computations by modelling their impact through multiple economic scenarios, each assigned a probability based on careful analysis. The frequency of probability reviews shall be justified and documented. Variables with strong credit risk linkages shall be

identified, tailored to portfolio, segmentation, or geography, with their selection rigorously documented. For Lifetime ECL, a bank shall extrapolate forecasts beyond standard horizons, supporting assumptions like mean reversion timing to ensure unbiased estimates.

Model Validation

93. A bank shall put in place a robust model validation framework entailing critical aspects, that shall be duly documented.

- **Scope and Summary:** Clarify the model's purpose, including vendor models, estimated outputs, regulatory uses, and any development or prior validation challenges.
- **Inputs:** Verify data sources, input types, automation levels, quality controls, transformations, and assumptions for outliers or missing data, using sensitivity tests to assess material impacts.
- **Methodology:** Confirm the conceptual and mathematical soundness of model design, calibration appropriateness, and rationale for analytical or expert assumptions, reviewing developer validation tests.
- **Implementation:** Evaluate operational stability and business continuity plans.
- **Use:** Ensure alignment with intended purpose and regulatory compliance.
- **Monitoring and Maintenance:** Assess ongoing monitoring plans, including issues and mitigation actions.
- **Access and Change Controls:** Review stakeholder access, change permissions, and version controls.
- **Prospectus:** Confirm the prospectus is comprehensive.
- **Tests:** Document the methodology and rationale for quantitative and qualitative validation tests, ensuring thorough inspection of documentation, usage, governance, and data maintenance for all models.

Model Calibration

94. The models shall be validated before implementation to ensure suitability, and the bank shall perform post-implementation back-testing to compare predictions with

actual outcomes, refining parameters to enhance accuracy. Recalibration shall be triggered by explicit numerical indicators, with choices documented and aligned with model objectives. Post-model adjustments (PMAs) or management overlays shall address model limitations, supported by qualitative reasoning and a consistent governance framework. PMAs shall be documented, including justification, calculation criteria, and validation triggers, and validated proportional to their materiality, assessing relevance, assumptions, and root causes of deficiencies.

Leveraging Credit Judgement

95. Forward-looking information shall be suitably integrated into ECL estimation, with establishment of clear links between macroeconomic variables and credit risk drivers. When statistical linkages are weak, experienced credit judgment shall guide ECL estimates, with the rationale thoroughly documented and rigorously reviewed at appropriate governance levels. Judgment shall account for the bank's position in the credit cycle, varying by jurisdiction, to ensure context-specific estimates.

Continuous Monitoring of Model Performance

96. An ongoing performance monitoring process shall be put in place with clearly defined responsibilities. Monitoring frequency shall align with model complexity and tiering, tracking metrics like accuracy, stability, and reliability, and assessing impacts from economic or market changes. If the development team conducts monitoring, their reports shall undergo independent validation and be reviewed by a model management committee, which addresses metric breaches. Improvements post-validation shall be documented to support continuous enhancement.

97. By embracing these principles, a bank can establish a transparent, reliable, and compliant ECL estimation process, effectively managing credit risk across diverse portfolios while balancing accuracy, regulatory adherence, and informed judgment.

Chapter VI: Disclosures, Regulatory Reporting and Repeal

Disclosures

98. The details of disclosures required to be made by the bank with respect to ECL is as prescribed in ***Annex 4*** of these Directions. A bank shall provide detailed disclosure in their notes to accounts for financial instruments which come under the purview of these Directions. The credit risk disclosures made by the bank shall enable users of financial statements to understand the effect of credit risk on the amount, timing and certainty of future cash flows. To achieve this objective, credit risk disclosures shall provide:

i) information about a bank's credit risk management practices and how they relate to the recognition and measurement of ECL, including the methods, assumptions and information used to measure ECL

ii) quantitative and qualitative information that allows users of financial statements to evaluate the allowances in the financial statements arising from ECL, including changes in the amount of ECL and the reasons for those changes; and

iii) information about a bank's credit risk exposure (ie the credit risk inherent in a bank's financial assets and commitments to extend credit) including significant credit risk concentrations.

The credit risk management practices

99. A bank shall explain their credit risk management practices and how they relate to the recognition and measurement of ECL. To meet these objectives, a bank shall disclose information that enables users of financial statements to understand and evaluate:

i) how did the bank determine a significant increase in the credit risk of financial instruments since initial recognition.

ii) definitions of credit impairment

iii) how were the instruments grouped if ECL are measured on a collective basis;

iv) how did a bank determine that its financial assets are credit-impaired;

v) bank's write-off policy, including the indicators that there is no reasonable expectation of recovery.

100. A bank shall explain the inputs, assumptions and estimation techniques used to apply the requirements of ECL estimation in terms of these Directions. For this purpose, a bank shall disclose:

i) the basis of inputs and assumptions and the estimation techniques used to:

a. measure the 12-month and lifetime ECL;

b. determine whether the credit risk of financial instruments have increased significantly since initial recognition; and

c. determine whether a financial asset is a credit-impaired financial asset.

ii) how forward-looking information has been incorporated into the determination of ECL, including the use of macroeconomic information; and

iii) changes in the estimation techniques or significant assumptions made during the reporting period and the reasons for those changes.

Quantitative and qualitative information about amounts arising from ECL

101. To explain the changes in the loss allowance and the reasons for those changes, a bank shall provide, by class of financial instrument, a reconciliation of the opening balance with the closing balance of the loss allowance, in a table, showing separately the changes during the period for:

i) the loss allowance measured at an amount equal to 12-month ECL

ii) the loss allowance measured at an amount equal to lifetime ECL for:

a. financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets;

b. financial assets which are credit-impaired at the reporting date (but which are not purchased or originated credit-impaired); and financial assets that are purchased or originated credit-impaired.

102. In addition to the reconciliation, a bank shall disclose the total amount of undiscounted ECL at initial recognition on financial assets initially recognised during the reporting period.

103. To enable users of financial statements to understand the changes in the loss allowance, a bank shall provide an explanation of how significant changes in the gross carrying amount of financial instruments during the period contributed to changes in the loss allowance. The information shall be provided separately for all financial instruments that represent the loss allowance and shall include relevant qualitative and quantitative information. Examples of changes in the gross carrying amount of financial instruments that contributed to the changes in the loss allowance may include:

i) changes because of financial instruments originated or acquired during the reporting period;

ii) changes arising from whether the loss allowance is measured at an amount equal to 12-month or lifetime ECL.

104. A bank shall use the format prescribed in ***Annex 4*** for the disclosure relating to credit quality of financial instruments, summary of loan assets, reconciliation of loss allowance, approach for ECL and macroeconomic assumptions. For other disclosures required as per chapter VI of these Directions, a bank shall devise its own format. A bank may devise additional disclosures at its discretion if it results in better representation of financial information as sought by the above provisions.

105. As the date of transition for banks is April 1, 2027, their first reporting as per the ECL framework shall be based on financial position as on June 30, 2027.

106. ***Annex 5*** contains list of circulars repealed with respect to the provisions relating to SCBs coming under the purview of this Direction.

Annex 1

Illustrative list of information that may be relevant in assessing changes in credit risk

a. significant changes in internal pricing factors of credit risk as a result of a change in credit risk since inception, including, but not limited to, the credit spread that would result if a particular financial instrument or similar financial instrument with the same terms and the same counterparty were newly originated or issued at the reporting date.

b. other changes in the rates or terms of an existing financial instrument that would be significantly different if the instrument was newly originated or issued at the reporting date (such as more stringent covenants, increased amounts of collateral or guarantees, lower loan-to-value (LTV) ratio, or higher income coverage) because of changes in the credit risk of the financial instrument since initial recognition.

c. significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instruments with the same expected life. Changes in market indicators of credit risk include, but are not limited to:

    (i) the credit spread;

    (ii) the credit default swap prices for the borrower;

    (iii) the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost; and

    (iv) other market information related to the borrower, such as changes in the price of a borrower's debt and equity instruments.

d. an actual or expected significant change in the financial instrument's external credit rating.

e. an actual or expected internal credit rating downgrade for the borrower or decrease in behavioural scoring used to assess credit risk internally

f. existing or forecasted adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its debt obligations, such as an actual or expected increase in

interest rates or an actual or expected significant increase in unemployment rates

g. an actual or expected significant change in the operating results of the borrower. Examples include actual or expected declining revenues or margins, increasing operating risks, working capital deficiencies, decreasing asset quality, increased balance sheet leverage, liquidity, management problems or changes in the scope of business or organisational structure (such as the discontinuance of a segment of the business) that results in a significant change in the borrower's ability to meet its debt obligations.

h. significant increases in credit risk on other financial instruments of the same issuer/ borrower.

i. an actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower that results in a significant change in the borrower's ability to meet its debt obligations, such as a decline in the demand for the borrower's sales product because of a shift in technology.

j. significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the borrower's economic incentive to make scheduled contractual payments or to otherwise have an effect on the probability of a default occurring. For example, if the value of collateral declines because house prices decline, borrowers in some jurisdictions have a greater incentive to default on their mortgages.

k. a significant change in the quality of the guarantee provided by a shareholder (or an individual's parents) if the shareholder (or parents) have an incentive and financial ability to prevent default by capital or cash infusion.

l. significant changes, such as reductions in financial support from a parent entity or other affiliate or an actual or expected significant change in the quality of credit enhancement, that are expected to reduce the borrower's economic incentive to make scheduled contractual payments. Credit quality enhancements or support include the consideration of the financial condition of the guarantor and/or, for interests issued in securitisations, whether

subordinated interests are expected to be capable of absorbing ECL (for example, on the loans underlying the security).

m. expected changes in the loan documentation including an expected breach of contract that may lead to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees, delays in review/renewal of the loan account *vis-à-vis* pre-determined schedule or other changes to the contractual framework of the instrument.

n. significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group (for example, an increase in the expected number or extent of delayed contractual payments or significant increases in the expected number of credit card borrowers who are expected to approach or exceed their credit limit or who are expected to be paying the minimum monthly amount).

o. changes in the bank's credit management approach in relation to the financial instrument; ie based on emerging indicators of changes in the credit risk of the financial instrument, the bank's credit risk management practice is expected to become more active or to be focused on managing the instrument, including the instrument becoming more closely monitored or controlled, or the bank specifically intervening with the borrower.

p. bank's stressed exposures which are classified under "Watch-list" or equivalent classification, as reported to the Board or Board-level Committees based on Board approved policies of the bank.

q. past due information.

r. Any delay in payment of fee/ charges from the due date as per the internal policy of the bank.

Annex 2

Simplified Approach for ECL calculation

A bank having a portfolio of trade/Lease receivables, categorised by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms, may use simplified approach for ECL calculation. The loss allowance for such trade/Lease receivables shall always be measured at an amount equal to lifetime time ECL.

To determine the ECL for the portfolio, a bank may use a provision matrix. The provision matrix is based on its historical observed loss rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date the historical observed loss rates are updated and changes in the forward-looking estimates are analysed.

A bank may estimate a provision matrix based on historical data: (An example is provided below)

	Current	**1-30 days past due**	**31-60 days past due**	**61-90 days past due**	**More than 90 days past due**
Loss Rate	0.3%	1.6%	3.6%	6.6%	10.6%

The ECL, prior to adjustment for forward-looking estimates, for trade receivables from the large number of small customers of a particular bank with total exposure of ₹3 crores is illustrated below:

	Gross carrying amount	**Lifetime expected credit loss allowance (Gross carrying amount x lifetime expected credit loss rate)**
Current	₹15,000,000	₹45,000
1-30 days past due	₹7,500,000	₹120,000
31-60 days past due	₹4,000,000	₹144,000
61-90 days past due	₹2,500,000	₹165,000
More than 90 days past due	₹1,000,000	₹106,000
	₹30,000,000	**₹580,000**

Annex 3

Credit Conversion Factors (CCFs)

Sr. No.	Instruments	Credit Conversion Factor (%)
	Direct credit substitutes e.g., general guarantees of indebtedness (including standby L/Cs serving as financial guarantees for loans and securities, credit enhancements, liquidity facilities for securitisation transactions), and acceptances (including endorsements with the character of acceptance). (i.e., the risk of loss depends on the credit worthiness of the counterparty or the party against whom a potential claim is acquired)	100
	Certain transaction-related contingent items (e.g., performance bonds, bid bonds, warranties, indemnities and standby letters of credit related to particular transaction).	50
	Short-term self-liquidating trade letters of credit arising from the movement of goods (e.g., documentary credits collateralised by the underlying shipment) for both issuing bank and confirming bank.	20
	Revolving / non-revolving underwriting facilities.	50
	Commitments with certain drawdown	100
	Other commitments (e.g., formal standby facilities and credit lines) with an original maturity of a) up to one year b) over one year Similar commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's credit worthiness.	 20 50 0

Annex 4

Table 1: Credit quality of Financial Instruments

1.A Loans: Credit quality of loan assets (in ₹) (for overall loan portfolio and major loan products)

Particulars	As on March 31, XXXX					As on March 31, YYYY				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Loans and advances										
Product type 1										
Current										
Past due 1–30 days										
Past due 31–60 days										
Past due 61–89 days										
Past due 90 days										
Total										
Impairment loss allowance										
Carrying amount										
Product type 2										
Current										
Past due 1–30 days										
Past due 31–60 days										
Past due 61–90 days										
Past due 90 days										
Total										
Impairment loss allowance										
Carrying amount										

1.B Investments: Credit quality of Investment assets (in ₹) (for overall Investment portfolio and major Investment products)

Particulars	As on March 31, XXXX					As on March 31, XXXX				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Investment										
Investment type 1										
Sovereign rated										
Rating Grade 1										
Rating Grade 2										
Rating Grade 3										
Rating Grade x										
Total										
Impairment loss allowance										
Carrying amount										
Investment type 2										
Sovereign rated										
Rating Grade 1										
Rating Grade 2										
Rating Grade 3										
Rating Grade x										
Total										
Impairment loss allowance										
Carrying amount										

1.C Loan commitments and Financial Guarantees: Credit quality of Loan commitments and financial guarantees (in ₹)

Particulars	As on March 31, XXXX					As on March 31, YYYY				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Loan commitments										
Product type 1										
Product type 2										
Total										
Impairment loss allowance										
Carrying amount										
Financial guarantees										
Product type 1										
Product type 2										
Total										
Impairment loss allowance										
Carrying amount										

The above table shall also be provided for all other financial instruments which come under the purview of ECL

Table 2: Summary of Loan assets

Particulars	As on March 31, XXXX					As on March 31, YYYY				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount										
Less: ECL allowance										

Net carrying amount										

Table 3: Reconciliation of loss allowance

3.A Table for reconciliation of gross carrying amount and corresponding ECL loss allowance for loans :

	Stage 1		Stage 2		Stage 3		Total	
	Gross loan amount	**ECL loss allowance**	**Gross loan amount**	**ECL loss allowance**	**Gross loan amount**	**ECL loss allowance**	**Gross loan amount**	**ECL loss allowance**
Balance as on April 1, xxxx	-		-	-	-	-		
Transfer to Stage 1	-		-	-	-	-		
Transfer to Stage 2	-		-	-	-	-		
Transfer to Stage 3	-		-	-	-	-		
Net remeasurement of loss allowance	-		-	-	-	-		
New financial assets originated during the year	-		-	-	-	-		
Matured or repaid	-		-	-	-	-		
Write-offs	-		-	-	-	-		
Balance as on March yyyy	-		-	-	-	-		
Transfer to Stage 1	-		-	-	-	-		
Transfer to Stage 2	-		-	-	-	-		
Transfer to Stage 3	-		-	-	-	-		
Net remeasurement of loss allowance	-		-	-	-	-		
New financial assets originated during the year	-		-	-	-	-		
Matured or repaid	-		-	-	-	-		
Write-offs	-		-	-	-	-		
Balance as on March zzzz	-		-	-	-	-		

3.B Tables for reconciliation of the opening balance with the closing balance of the

Investments	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance as on April 1, xxxx	-	-	-	-	-
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net remeasurement of loss allowance	-	-	-	-	-
New financial assets originated during the year	-	-	-	-	-
Matured or repaid	-	-	-	-	-
Write-offs	-	-	-	-	-
Balance as on March 31, yyyy	-	-	-	-	-
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net remeasurement of loss allowance	-	-	-	-	-
New financial assets originated during the year	-	-	-	-	-
Matured or repaid	-	-	-	-	-
Write-offs	-	-	-	-	-
Balance as on March 31, zzzz	-	-	-	-	-

Loss allowance for Investments:

3.C Table for reconciliation of the opening balance with the closing balance of the loss allowance for Loan commitments:

Loan commitments	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased or Originated Credit Impaired (POCI)	Total
Balance as on April 1, xxxx	-	-	-	-	-
Net remeasurement of loss allowance					
New financial assets originated or purchased	-	-	-	-	-
Balance as on March 31, yyyy	-	-	-	-	-
Net remeasurement of loss allowance	-	-	-	-	-
New financial assets originated or purchased	-	-	-	-	-
Balance as on March 31, zzzz	-	-	-	-	-

3.D Table for reconciliation of the opening balance with the closing balance of the loss allowance for Financial Guarantee Contracts

Financial Guarantee Contracts	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased or Originated Credit Impaired (POCI)	Total
Balance as on April 1, xxxx	-	-	-	-	-
Net remeasurement of loss allowance					
New financial assets originated or purchased	-	-	-	-	-
Balance as on March 31, yyyy	-	-	-	-	-
Net remeasurement of loss allowance	-	-	-	-	-
New financial assets originated or purchased	-	-	-	-	-
Balance as on March 31, zzzz	-	-	-	-	-

3.E Table for reconciliation of the opening balance with the closing balance of the loss allowance for other financial instruments under the purview of ECL:

Others	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased or Originated Credit Impaired (POCI)	Total
Balance as on April 1, xxxx	-	-	-	-	-
Net remeasurement of loss allowance					
New financial assets originated or purchased	-	-	-	-	-
Balance as on March 31, yyyy	-	-	-	-	-
Net remeasurement of loss allowance	-	-	-	-	-
New financial assets originated or purchased	-	-	-	-	-
Balance as on March 31, zzzz	-	-	-	-	-

Table 4: Approach for ECL (to be submitted to RBI only[8])

The following table contains the approach adopted by the bank for various components of ECL viz. PD, EAD and LGD across the various types of loans (product wise), debt instrument, financial guarantee etc. For instruments where the bank doesn't not use PD, LGD, EAD approach, the bank shall separately give disclosure of ECL methodology used.

Financial Instrument*	Brief of the product	PD			EAD	LGD
		Stage 1	Stage 2	Stage 3		

*For loans, investments etc

Table 5: Macroeconomic Assumptions (to be submitted to RBI only)

The table below lists the macroeconomic assumptions used in the base, upside and downside scenarios for the computation of ECL.

As on March 31, XXXX	Indicator 1	Indicator 2	Indicator 3	Indicator 4

[8] Information in respect of Tables 4 to 8 shall be furnished to RBI as part of supervisory reporting. The instructions regarding the same shall be issued separately.

Central economic assumptions				
1 year forward	X%	X%	X%	X%
5-year average	X%	X%	X%	X%
Upside economic assumptions				
1 year forward	X%	X%	X%	X%
5-year average	X%	X%	X%	X%
Downside economic assumptions				
1 year forward	X%	X%	X%	X%
5-year average	X%	X%	X%	X%

Table 6: ECL Adjustments (to be submitted to RBI only)

	As of March 31, XXXX		**As of March 31, YYYY**	
Particulars	**Portfolio 1**	**Portfolio 2**	**Portfolio 1**	**Portfolio 2**
Loss allowance before judgmental adjustments				
Post Model Adjustment				
Management Overlays				
Any other				
Loss allowance after judgmental adjustments				

Table 7: ECL data (to be submitted to RBI only)

Product name	**Observed Default Rate**			**LGD**
	Stage 1	Stage 2	Stage 3	

Table 8: ECL data (to be submitted to RBI only)

Product name	**PD-PIT**			**LGD**
	Stage 1	Stage 2	Stage 3	

Table 9: Details of Gross Advances, Gross NPAs, Net Advances and Net NPAs

Part A

(Rs. In crore up to two decimals)			
Particulars			Amount
1.	Standard Advances		
2.	Gross NPAs*		
3.	Gross Advances ** (1+2)		
4.	Gross NPAs as a percentage of Gross Advances (2/3) (in %)		
5	Deductions		
	(i)	Provisions held in the case of NPA accounts as per asset classification (including additional Provisions for NPAs at higher than prescribed rates)	
	(ii)	DICGC/ECGC claims received and held pending adjustment	
	(iii)	Part payment received and kept in suspense account or any other similar account	
	(iv)	Balance in sundries account (interest capitalisation – Restructured accounts), in respect of NPA accounts	
6.	Net Advances (3-5)		
7.	Net NPAs {2-5(I + ii + iii + iv + v)}		
8.	Net NPAs as percentage of Net Advances (7/6) (in %)		
*	Principal dues of NPAs plus funded interest term loan (FITL) where the corresponding contra credit is parked in Sundries Account (Interest capitalisation – Restructured Accounts) in respect of NPA accounts		
**	For the purpose of this statement, 'Gross Advances' mean all outstanding loans and advances including advances for which refinance has been received but excluding rediscounted bills, and advances written off at Head Office Level (Technical Write-off)		

Part B - Supplementary Details

(Rs. In crore up to two decimals)		
Particulars		Amount
1.	Provision on Standard Assets in Part A above	
2.	Interest recorded as Suspense/ Memorandum Item	
3.	Amount of cumulative Technical Write-off in respect of NPA accounts reported in Part A above	

Annex 5

List of circulars repealed

Circular No.	Date	Subject
DOR.STR.REC.85/21.04.048/2021-22	15/02/22	Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances – Clarifications
DOR.STR.REC.85/21.04.048/2021-22	15/02/22	Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances – Clarifications
DOR.STR.REC.68/21.04.048/2021-22	12/11/21	Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances - Clarifications
DOR.STR.REC.68/21.04.048/2021-22	12/11/21	Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances - Clarifications
DBR.No.BP.BC.64/21.04.048/2016-17	08/04/17	Additional Provisions For Standard Advances At Higher Than The Prescribed Rates
DBR.No.BP.BC.92/21.04.048/2015-16	18/04/16	Provisioning for fraud accounts
DBR.No.BP.BC.30/21.04.048/2015-16	16/07/15	Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances – Credit Card Accounts
DBR.No.BP.BC.83/21.04.048/2014-15	01/04/15	Provisioning pertaining to Fraud Accounts
DBR.No.BP.BC.79/21.04.048/2014-15	30/03/15	Utilisation of Floating Provisions / Counter Cyclical Provisions
Mailbox Clarification	24/02/15	Refinancing of Project Loans
DBOD.No.BP.BC.95/21.04.048/2013-14	07/02/14	Utilisation of Floating Provisions / Counter Cyclical Provisioning Buffer
DBOD.No.BP.BC.78/21.04.048/2013-14	20/12/13	Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances - Credit Card Accounts
DBOD.No.BP.BC-83/21.04.048/2012-13	18/03/13	Prudential Norms on Advances to Infrastructure Sector
DBOD.No.BP.BC.94/21.04.048/2011-12	18/05/11	Enhancement of Rates of Provisioning for Non-Performing Assets and Restructured Advances
DBOD.No.BP.BC.87/21.04.048/2010-11	21/04/11	Provisioning Coverage Ratio (PCR) for Advances
Mail Box Clarification	06/07/10	Provisioning for Standard Assets – Medium Enterprises
DBOD.No.BP.BC.96/08.12.014/2009-10	23/04/10	Prudential Norms on Advances to Infrastructure Sector
DBOD.No.BP.BC.64/21.04.048/2009-10	01/12/09	Second Quarter Review of Monetary Policy for the Year 2009-10 - Provisioning Coverage for Advances
DBOD.No.BP.BC.58/21.04.048/2009-10	05/11/09	Second Quarter Review of Monetary Policy for the Year 2009-10 - Provisioning Requirement for Standard Assets
DBOD.No.BP.BC.46/21.04.048/2009-10	24/09/09	Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances - Computation of NPA Levels

DBOD.No.BP.BC.33/21.04.048/2009-10	27/08/09	Prudential Treatment in respect of Floating Provisions
DBOD.No.BP.BC.122/21.04.048/2008-09	09/04/09	Prudential Treatment in respect of Floating Provisions
DBOD.No.BP.BC.118/21.04.048/2008-09	25/03/09	Prudential Treatment of different Types of Provisions in respect of Loan Portfolios
DBOD.BP.BC.No.69/21.03.009/2008-09	29/10/08	Prudential Norms for Off-Balance Sheet Exposures of Banks
DBOD.No.BP.BC.57/21.04.157/2008-09	13/10/08	Prudential Norms for Off-balance Sheet Exposures of Banks
DBOD.No.BP.BC.31/21.04.157/2008-09	08/08/08	Prudential Norms for Off-balance Sheet Exposures of Banks
DBOD.No.BP.BC.68/21.04.048/2006-07	13/03/07	Prudential Norms on Creation and Utilisation of Floating Provisions
DBOD.No.BP.BC.21/21.04.048/2006-2007	12/07/06	Annual Policy Statement for the year 2006-07- Additional Provisioning Requirement for Standard Assets
DBOD.NO.BP.BC.89/ 21.04.048/ 2005-06	22/06/06	Prudential norms on creation and utilization of floating provisions
DBOD.NO.BP.BC.85/ 21.04.048/2005-06	29/05/06	Annual Policy Statement for the year 2006-07: Additional Provisioning Requirement for Standard Assets
DBOD.NO.BP.BC.40/ 21.04.048/2005-06	04/11/05	Mid Term Review of Annual Policy Statement for the year 2005-06: Additional Provisioning Requirement for Standard Assets
DBOD.BP.BC.29/21.04.048/2004-05	13/08/04	Prudential norms - State Government guaranteed exposures
DBS.FID.No.C-3/01.02.00/2004-2005	03/08/04	Annual Policy Statement for the year 2004-05 : Additional Provisioning Requirement for NPAs
DBOD No.BP.BC.102/21.04.048/2003-04	24/06/04	Prudential Norms for Agricultural Advances
DBOD No. BP.BC.99/21.04.048/2003-04	21/06/04	Additional Provisioning Requirement for NPAs
DBOD No. BP.BC.97/21.04.141/2003-04	17/06/04	Prudential Guidelines on Unsecured Exposures
DBOD BP.BC.No.69/21.04.048/2002-03	10/02/03	Upgradation of loan accounts classified as NPAs
DBOD.BP.BC No.44/21.04.048/2002-03	30/11/02	Agricultural loans affected by natural calamities
DBOD No.BP.BC.100/ 21.01.002/2001-02	09/05/02	Prudential norms on asset classification
DBOD No.BP.BC.59/ 21.04.048/2001-2002	22/01/02	Prudential norms on income recognition, asset classification and Provisioning agricultural advances
DBOD No.BP.BC.25/ 21.04.048/2000-2001	11/09/01	Prudential norms on income recognition, asset classification and provisioning
DBOD No.BP.BC.132/ 21.04.048/2000-2001	14/06/01	Income Recognition, Asset Classification and Provisioning for Advances

DBOD No. BP.BC.116/21.04.048/2000-2001	02/05/01	Monetary & Credit Policy Measures 2001-02
DBOD No.BP.BC.98/21.04.048/2000-2001	30/03/01	Treatment of Restructured Accounts
DBOD No. BP.BC.40/21.04.048/2000- 2001	30/10/00	Income Recognition, Asset Classification and Provisioning Reporting of NPAs to RBI
DBOD.No.BP.BC.164/21.04.048/2000	24/04/00	Prudential Norms on Capital Adequacy, Income Recognition, Asset Classification and Provisioning, etc.
DBOD.No.BP.BC.144/21.04.048/2000	29/02/00	Income Recognition, Asset Classification and Provisioning and Other Related Matters and Adequacy Standards - Takeout Finance
DBOD.No.BP.BC.138/21.04.048/2000	07/02/00	Income Recognition, Asset Classification and Provisioning Export Project Finance
DBS.FID.No.C-10/01.02.00/99-2000	11/12/99	Income recognition, Asset Classification and Provisioning - Provision for Standard Assets
DBS.FID.No.C-09/01.02.00/99-2000	01/12/99	Prudential Norms relating to Asset Classification and Provisioning - Export Project Finance
DBOD.No.BP.BC.103/21.04.048/99	21/10/99	Income Recognition, Asset Classification and Provisioning Agricultural Finance by Commercial Banks through Primary Agricultural Credit Societies
DBOD.No.BP.BC.45/21.04.048/99	10/05/99	Income Recognition Asset Classification and Provisioning Concept of Commencement of Commercial Production
DBOD.No.BP.BC.35/21.01.002/99	24/04/99	Monetary & Credit Policy Measures
DBOD.No.BP.BC.120/21.04.048/98	29/12/98	Prudential norms on Income Recognition, Asset Classification and Provisioning Agricultural Loans Affected by Natural Calamities
DBOD.No.BP.BC.103/21.01.002/98	31/10/98	Monetary & Credit Policy Measures
DBOD.No.BP.BC.17/21.04.048/98	04/03/98	Prudential Norms on Income Recognition, Asset Classification and Provisioning Agricultural Advances
DBOD.No.BP.BC.29/21.04.04 8/97	09/04/97	Income Recognition Asset Classification and Provisioning Agricultural Advances
DBOD.No.BP.BC.14/21.04.048/97	19/02/97	Income Recognition Asset Classification and Provisioning Agricultural Advances
DBOD.No.BP.BC.9/21.04.048/97	29/01/97	Prudential Norms Capital Adequacy, Income Recognition Asset Classification and Provisioning
DBOD.No.BP.BC.163/21.04.048/96	24/12/96	Classification of Advances with Balance less than Rs. 25,000/
DBOD.No.BP.BC.65/21.04.048/96	04/06/96	Income Recognition Asset Classification and Provisioning
DBOD.No.BP.BC.26/21.04.048/96	19/03/96	Non performing Advances Reporting to RBI
DBOD.No.BP.BC.25/21.04.048/96	19/03/96	Income Recognition Asset Classification and Provisioning

DBOD.No.BP.BC.134/21.04.048/95	20/11/95	EXIM Bank's New Lending Programme Extension of Guarantee cum Refinance to Commercial Bank in respect of Post shipment Supplier's Credit
DBOD.No.BP.BC.36/21.04.048/95	03/04/95	Income Recognition Asset Classification and Provisioning
DBOD.No.BP.BC.134/21.04.048/94	14/11/94	Income Recognition Asset Classification Provisioning and Other Related Matters
DBOD.No.BP.BC.58/21.04.048/94	16/05/94	Income Recognition Asset Classification and Provisioning and Capital Adequacy Norms - Clarifications
DBOD.No.BP.BC.50/21.04.048/94	30/04/94	Income Recognition Asset Classification and Provisioning
DOS.BC.4/16.14.001/9394	19/03/94	Credit Monitoring System - Health Code System for Borrowal Accounts
DBOD.No.FSC.BC.18/24.01.001/9394	19/02/94	Equipment Leasing, Hire Purchase, Factoring, etc. Activities
DBOD.No.BP.BC.8/21.04.043/94	04/02/94	Income Recognition, Provisioning and Other Related Matters
DBOD.No.BP.BC.195/21.04.048/93	24/11/93	Income Recognition, Asset Classification and Provisioning Clarifications
DBOD.No.BP.BC.95/21.04.048/93	23/03/93	Income Recognition, Asset Classification, Provisioning and Other Related Matters
DBOD.No.BP.BC.59/21.04.04 392	17/12/92	Income Recognition, Asset Classification and Provisioning Clarifications
DBOD.No.BP.BC.129/21.04.0 4392	27/04/92	Income Recognition, Asset Classification, Provisioning and Other Related Matters
DBOD.No.BP.BC.42/C.469 (W)90	31/10/90	Classification of Non Performing Loans
DBOD.No.FoI.BC.136/C.24985	07/11/85	Credit Monitoring System - Introduction of Health Code for Borrowal Accounts in Banks