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**Reserve Bank of India (All India Financial Institutions – Income Recognition, Asset Classification and Provisioning) Directions, 2025**

**Table of Contents**

<b>Chapter I - Preliminary.....</b>	<b>3</b>
A. <b>Short title and commencement .....</b>	<b>3</b>
B. <b>Applicability .....</b>	<b>3</b>
C. <b>Definitions .....</b>	<b>4</b>
<b>Chapter II - General Instructions .....</b>	<b>6</b>
A. <b>Role of the Board .....</b>	<b>6</b>
B. <b>Prudence in Lending and Consumer Education.....</b>	<b>6</b>
C. <b>Disclosure Requirements .....</b>	<b>8</b>
<b>Chapter III - Asset Classification .....</b>	<b>9</b>
A. <b>General Instructions on Asset Classification.....</b>	<b>9</b>
B. <b>Classification as non-performing asset.....</b>	<b>10</b>
C. <b>Accounts regularised near about the balance sheet date .....</b>	<b>12</b>
D. <b>Specific cases of asset classification .....</b>	<b>12</b>
E. <b>Categories of non-performing assets.....</b>	<b>17</b>
F. <b>Upgradation of loan accounts classified as NPAs.....</b>	<b>18</b>
<b>Chapter IV - Provisioning Norms.....</b>	<b>20</b>
A. <b>General Principles for Provisioning .....</b>	<b>20</b>
B. <b>Provisions in respect of Standard assets .....</b>	<b>21</b>
C. <b>Provisions in respect of substandard assets.....</b>	<b>22</b>
D. <b>Provisions in respect of Doubtful Assets.....</b>	<b>23</b>
E. <b>Provisions in respect of Loss Assets.....</b>	<b>23</b>
F. <b>Additional Provisions at higher than prescribed rates .....</b>	<b>23</b>
G. <b>Provisions under Special Circumstances .....</b>	<b>24</b>
H. <b>Provisioning Coverage Ratio (PCR).....</b>	<b>31</b>
<b>Chapter V - Income Recognition.....</b>	<b>32</b>
A. <b>General Principles for Income Recognition .....</b>	<b>32</b>
B. <b>Reversal of income upon classification as NPA.....</b>	<b>32</b>
C. <b>Interest application after NPA classification .....</b>	<b>33</b>

<b>D. Appropriation of recovery from NPAs.....</b>	<b>33</b>
<b>E. Income recognition in special cases .....</b>	<b>33</b>
<b>F. Tax treatment in respect of provisions .....</b>	<b>35</b>
<b>Chapter VI - Repeal and Other Provisions .....</b>	<b>36</b>
<b>A. Repeal and saving .....</b>	<b>36</b>
<b>B. Application of other laws not barred .....</b>	<b>36</b>
<b>C. Interpretations.....</b>	<b>37</b>
<b>Annex - I .....</b>	<b>38</b>



## Introduction

Reserve Bank of India ('Reserve Bank') is statutorily mandated to operate the credit system of the country to its advantage. In line with the international practices and as per the recommendations made by the Committee on the Financial System (Chairman Shri M. Narasimham), the Reserve Bank has introduced, in a phased manner, prudential norms for income recognition, asset classification and provisioning for the advances portfolio of regulated entities so as to move towards greater consistency and transparency in the published accounts.

In exercise of powers conferred by Sections 45L and 45M of the Reserve Bank of India Act, 1934, and the Reserve Bank being satisfied that it is necessary and expedient in the public interest and in the interest of financial sector policy so to do, hereby issues these Directions hereinafter specified.

## Chapter I - Preliminary

### **A. Short title and commencement**

1. These directions shall be called the Reserve Bank of India (All India Financial Institutions – Income Recognition, Asset Classification and Provisioning) Directions, 2025.
2. These directions shall come into force with immediate effect.

### **B. Applicability**

3. These Directions shall be applicable to All India Financial Institutions (hereinafter collectively referred to as 'AIFIs' and individually as an 'AIFI') viz. Export Import Bank of India ('EXIM Bank'), National Bank for Agriculture and Rural Development (NABARD), Small Industries Development Bank of India (SIDBI), National Housing Bank (NHB) and National Bank for Financing Infrastructure and Development (NaBFID).
4. An AIFI shall also follow the prudential guidelines on income recognition, asset classification and provisioning of advances for restructured accounts as prescribed in the [Reserve Bank of India \(All India Financial Institutions – Resolution of Stressed Assets\) Directions, 2025](#), in addition to these Directions.



### C. Definitions

5. In these Directions, unless the context states otherwise, the terms herein shall bear the meaning assigned to them below:

- (1) '*crop season*' for each crop, shall mean the period up to harvesting of the crops raised, as determined by the State Level Bankers' Committee (SLBC) in each State;
- (2) '*doubtful asset*' shall mean an asset which has remained in the substandard category for a period of twelve months;
- (3) '*exposure*' shall include all funded and non-funded exposures (including underwriting and similar commitments).
- (4) '*long duration crops*' shall mean crops with crop season longer than one year;
- (5) '*loss asset*' shall mean an asset where loss has been identified by an AIFI 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 AIFI;
- (6) '*non-performing asset*' shall mean an asset, including a leased asset, which has ceased to generate income for an AIFI;
- (7) '*overdue status*' – any amount due to a AIFI under any credit facility shall be treated as 'overdue' if it is not paid on the due date fixed by the AIFI.
- (8) '*provisioning coverage ratio (PCR)*' shall mean the ratio of provisioning to gross non-performing assets and indicates the extent of funds kept aside to cover loan losses;
- (9) '*security*' shall mean tangible security properly charged to the AIFI and will not include intangible securities like guarantees (including State government guarantees), comfort letters, etc.
- (10) '*short duration crops*' shall mean crops which are not 'long duration' crops;



(11) '*substandard asset*' shall mean an asset, which has remained NPA for a period less than or equal to twelve months;

(12) '*unsecured exposure*' shall mean an exposure where the realisable value of the security, as assessed by a AIFI / approved valuers / the Reserve Bank's inspecting officers, is not more than ten percent, *ab initio*, of the outstanding exposure.

(13) '*wilful defaulter*' shall mean the same as defined under the [Reserve Bank of India \(All India Financial Companies – Treatment of Wilful Defaulters and Large Defaulters\) Directions, 2025.](#)

6. The terms '*micro enterprises*', '*small enterprises*', and '*medium enterprises*' shall have the same meaning as defined in circular [FIDD.MSME & NFS.BC.No.3/06.02.31/2020-21 dated July 2, 2020 on 'Credit flow to Micro, Small and Medium Enterprises Sector'](#) as updated from time to time.

7. The terms '*credit event*' and '*default*' shall have the same meaning as defined in the [Reserve Bank of India \(All India Financial Institutions – Resolution of Stressed Assets\) Directions, 2025.](#)

8. The terms '*Commercial Real Estate (CRE)*', '*Commercial Real Estate – Residential Housing Sector (CRE - RH)*', '*project finance*', and '*financial closure*' shall have the same meaning as defined in the [Reserve Bank of India \(All India Financial Institutions – Credit Facilities\) Directions, 2025.](#)

9. All other expressions unless defined herein shall have the same meaning as have been assigned to them under the Banking Regulation Act, 1949 or the Reserve Bank of India Act, 1934, or the Companies Act, 2013, or any statutory modification or re-enactment thereto or other regulations issued by the Reserve Bank or the Glossary of Terms published by the Reserve Bank or as used in commercial parlance, as the case may be.



## Chapter II - General Instructions

### A. Role of the Board

10. An AIFI shall frame a Board approved policy for the implementation of the regulations contained in this Chapter, which shall *inter alia* include the following principles / components:
  - (1) the policy of income recognition shall be objective and based on record of recovery rather than on any subjective considerations;
  - (2) policy for making provisions for standard assets at rates higher than the regulatory minimum, based on evaluation of risk and stress in various sectors;
  - (3) guidelines for appointment of external agencies for stock audit and valuation of collateral.

11. The Board of Directors of an AIFI shall take all necessary steps to arrest the deteriorating asset quality in the books and focus on improving the credit risk management system. Early recognition of problems in asset quality and resolution requires an AIFI to be proactive and make use of Central Repository of Information on Large Credits (CRLC).

### B. Prudence in Lending and Consumer Education

12. An AIFI shall ensure that realistic repayment schedules are fixed on the basis of cash flows in consultation with borrowers while granting loans and advances, to facilitate prompt repayment by the borrowers and thus improve the record of recovery in advances.
13. An AIFI shall comply with the following instructions in respect of all loans sanctioned on or after December 31, 2021:
  - (1) The exact due dates for repayment of a loan, frequency of repayment, breakup between principal and interest, examples of dates of classification as special *mention* account (SMA) / non-performing asset (NPA), etc. shall be clearly specified in the loan agreement;



- (2) The borrower shall be apprised of the same at the time of loan sanction and also at the *time* of subsequent changes, if any, to the sanction terms / loan agreement till full repayment of the loan;
- (3) In cases of loan facilities with moratorium on payment of principal and / or interest, the exact date of commencement of repayment shall also be specified in the loan agreements.

14. In case of loans sanctioned before December 31, 2021, compliance to the instructions in paragraph 13 shall be ensured as and when such loans become due for renewal / review.

15. Stock audit at annual intervals by external agencies appointed as per the guidelines approved by the Board shall be mandatory in cases of NPAs with balance of ₹5 crore and above in order to enhance the reliability on stock valuation and bring down divergence arising out of difference in assessment of the value of security.

16. In cases of NPAs with balance of ₹5 crore and above, collateral such as immovable properties charged in favour of the AIFI shall be valued once in three years by valuers appointed as per the guidelines approved by the Board of Directors.

17. An AIFI shall seek explanation from advocates who wrongly certify as to clear legal titles in respect of assets or valuers who overstate the security value, by negligence or connivance, and if no reply / satisfactory clarification is received from them within one month, they may report their names to IBA. IBA may circulate the names of such advocates / valuers among its members for consideration before availing of their services in future. IBA would create a central registry for this purpose.

18. An AIFI shall implement the following instructions to increasing awareness among the borrowers:

- (1) place consumer education literature on its website, explaining with examples, the concepts of date of overdue, special mention account and non-performing asset classification and upgradation, with specific reference to day-end process;



- (2) consider displaying such consumer education literature in its branches by means of posters and / or other appropriate media;
- (3) ensure that front-line officers educate borrowers about all these concepts, with respect to loans availed by them, at the time of sanction / disbursal / renewal of loans.

### **C. Disclosure Requirements**

19. An AIFI shall make suitable disclosures in its Notes to Accounts as per the requirements contained in the [Reserve Bank of India \(All India Financial Institutions – Financial Statements: Presentation and Disclosures\) Directions, 2025.](#)



## Chapter III - Asset Classification

### A. General Instructions on Asset Classification

20. An AIFI shall classify a loan or an advance as a standard asset or a NPA, as the case may be.
21. An AIFI shall put in place a robust Management Information System (MIS) mechanism for early detection of signs of distress at individual account level as well as at segment level (asset class, industry, geographic, size, etc.). Such early warning signals should be used for putting in place an effective preventive asset quality management framework, including a transparent restructuring mechanism for viable accounts under distress within the prevailing regulatory framework, for preserving the economic value of those entities in all segments.
22. The Information Technology (IT) and MIS system of an AIFI should be robust and able to generate reliable and quality information with regard to their asset quality for effective decision making. There should be no inconsistencies between information furnished under regulatory / statutory reporting and their own MIS reporting.
23. An AIFI shall flag a borrower account as overdue, if so, as part of its day-end processes for the due date, irrespective of the time of running such processes.
24. Similarly, classification of borrower accounts as SMA as well as NPA shall be done as part of day-end process for the relevant date and the SMA or NPA classification date shall be the calendar date for which the day end process is run. Thus, the date of SMA / NPA shall reflect the asset classification status of an account at the day-end of that calendar date.

*Illustration I:* If due date of a loan account is March 31, 2021, and full dues are not received before the AIFI runs the day-end process for this date, the date of overdue shall be March 31, 2021. If it continues to remain overdue, then this account shall get tagged as SMA-1 upon running day-end process on April 30, 2021 i.e. upon completion of 30 days of being continuously overdue. Accordingly, the date of SMA-1 classification for that account shall be April 30, 2021.



Similarly, if the account continues to remain overdue, it shall get tagged as SMA-2 upon running day-end process on May 30, 2021 and if continues to remain overdue further, it shall get classified as NPA upon running day-end process on June 29, 2021.

25. The classification of assets of an AIFI as non-performing shall be done on the basis of objective criteria to ensure a uniform and consistent application of the norms, and by taking into account the degree of well-defined credit weaknesses.
26. An AIFI should have system generated segment wise information on NPAs and restructured assets which may include data on the opening balances, additions, reductions (upgradations, actual recoveries, write-offs etc.), closing balances, provisions held, technical write-offs, etc.
27. An AIFI shall compute their Gross Advances, Net Advances, Gross NPAs and Net NPAs, as per the format in [Annex - I](#).
28. If the debits arising out of devolvement of letters of credit or invoked guarantees are parked in a separate account, the balance outstanding in that account also should be treated as a part of the borrower's principal operating account for the purpose of application of these Directions.

#### **B. Classification as non-performing asset**

29. An AIFI shall classify a loan or an advance as NPA if any of the following conditions is satisfied:
  - (1) interest and / or instalment of principal remains overdue for a period of more than 90 days in respect of a term loan;
  - (2) the bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted;
  - (3) the instalment of principal or interest thereon remains overdue for two crop seasons for short duration crops;
  - (4) the instalment of principal or interest thereon remains overdue for one crop season for long duration crops;



- (5) the amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitisation transaction undertaken in terms of the [Reserve Bank of India \(All India Financial Institutions – Securitisation Transactions\) Directions, 2025](#);
- (6) in respect of derivative transactions, the overdue receivables representing positive mark-to-market value of a derivative contract, remain unpaid for a period of 90 days from the specified due date for payment.

*Provided that* in cases where the contract provides for settlement of the current mark-to-market (MTM) value of a derivative contract before its maturity, only the current credit exposure (not the potential future exposure) shall be classified as a non-performing asset after an overdue period of 90 days;

*Provided further that* in cases where a bank partially or fully terminates the derivative contract before maturity, at their discretion, based on preference of the clients to reduce the notional exposure of the hedging derivative contract, and the bank permitted payment in instalments of the crystallized MTM of such derivative contracts (including Forex Forward Contracts), the receivable shall be classified as non-performing asset: (i) if the amount becomes overdue for 90 days from the date of partial / full termination of the derivative contract; or (ii) if the amount becomes overdue for 90 days from the due date of payment of subsequent instalments.

30. In addition to the conditions in paragraph 29, an account may also be classified as NPA in terms of certain specific provisions of this Chapter, including, *inter alia*, paragraphs 37 to 47 as well as instructions contained in the [Reserve Bank of India \(All India Financial Institutions – Resolution of Stressed Assets\) Directions, 2025](#).
31. Asset classification shall be borrower-wise and not facility-wise. All the facilities granted by an AIFI to a borrower and investment in all the securities issued by the borrower shall have to be treated as NPA / Non-Performing Investment (NPI)



and not the particular facility / investment or part thereof which has become irregular.

32. The classification of an asset as NPA should be based on the record of recovery. An AIFI should not classify an advance account as NPA merely due to the existence of some deficiencies which are temporary in nature.
33. The availability of security or net worth of borrower / guarantor should not be taken into account for the purpose of treating an advance as NPA (except to the extent provided in paragraph 52 or otherwise).

**C. Accounts regularised near about the balance sheet date**

34. The asset classification of borrowing accounts where a solitary or a few credits are recorded before the balance sheet date should be handled with care and without scope for subjectivity.
35. Where the account indicates inherent weakness on the basis of the data available, the account should be deemed as NPA.
36. In other genuine cases, an AIFI shall furnish satisfactory evidence to the Statutory Auditors / Inspecting Officers about the manner of regularisation of the account to eliminate doubts on their performing status.

**D. Specific cases of asset classification**

37. The bills discounted under Letter of Credit (LC) favouring a borrower may not be classified as NPA, when any other facility granted to the borrower is classified as NPA.
38. Notwithstanding paragraph 37, 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 / AIFI 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 shall immediately be classified as NPA with effect from the date when the other facilities had been classified as NPA.
39. Derivative Contracts



- (1) 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.
- (2) The income recognition in respect of the derivative contracts classified as NPA shall be as per paragraph 114.

#### 40. Advances under consortium arrangements

- (1) Asset classification of accounts under consortium shall be based on the record of recovery of the individual member and other aspects having a bearing on the recoverability of the advances.
- (2) Where the remittances by the borrower under consortium lending arrangements are pooled with one consortium member and / or where the consortium member receiving remittances is not parting with the share of other members, the account will be treated as not serviced in the books of the other members and therefore, be treated as NPA.
- (3) An AIFI participating in the consortium should, therefore, arrange to get its share of recovery transferred from the lead bank or get an express consent from the lead bank for the transfer of its share of recovery, to ensure proper asset classification in its books.

#### 41. Advances against National Savings Certificates (NSCs), Kisan Vikas Patras (KVPs), etc.

- (1) Advances against NSCs eligible for surrender, KVPs and life insurance policies need not be treated as NPAs, provided adequate margin is available in the accounts.
- (2) Advances against government securities and all other securities are not covered by this exemption.

#### 42. Loans with moratorium for payment of interest

- (1) In the case of finance given for industrial projects or for agricultural plantations etc. 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 the date of debit of interest. They become overdue after due date for payment of interest, if uncollected.

- (2) 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 should be classified as NPA only when there is a default in repayment of instalment of principal or payment of interest on the respective due dates.

#### 43. Agricultural advances

- (1) Depending upon the duration of crops raised by an agriculturist, the NPA norms as per sub-paragrpahs 29(3) and 29(4) shall also be made applicable to agricultural term loans availed of by them.
- (2) The NPA norms as per sub-paragrpahs 29(3) and 29(4) shall be made applicable only to the following credit facilities extended for agricultural activities:
  - (i) Loans to individual farmers [including Self Help Groups (SHGs) or Joint Liability Groups (JLGs), i.e. groups of individual farmers, provided the AIFI maintains disaggregated data of such loans], directly engaged in Agriculture only. This shall include:
    - (a) crop loans to farmers, which shall include traditional / non-traditional plantations, and horticulture;
    - (b) medium and long-term loans to farmers for agriculture (*For example: purchase of agricultural implements and machinery and other developmental activities undertaken in the farm*);



- (c) loans to farmers for pre and post-harvest activities, viz., spraying, harvesting, grading and transporting of their own farm produce;
- (d) loans to farmers up to ₹60 lakh against pledge / hypothecation of agricultural produce (including warehouse receipts) for a period not exceeding twelve months;
- (e) loans to distressed farmers indebted to non-institutional lenders;
- (f) loans to small and marginal farmers (SMFs) for purchase of land for agricultural purposes.

(ii) 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:

- (a) crop loans to farmers which shall include traditional / non-traditional plantations and horticulture;
- (b) medium and long-term loans to farmers for agriculture (*For example: purchase of agricultural implements, technological solutions, machinery and developmental activities undertaken in the farm*);
- (c) loans to farmers for pre and post-harvest activities, viz., spraying, harvesting, sorting, and transporting of their own farm produce;
- (d) loans up to ₹2.5 crore against pledge / hypothecation of agricultural produce (including warehouse receipts) for a period not exceeding twelve months.



- (iii) Loans to Primary Agricultural Credit Societies (PACS), Farmers' Service Societies (FSS) and Large-sized Adivasi Multi- Purpose Societies (LAMPS) for on-lending to agriculture.
- (3) In respect of agricultural loans, other than those specified in sub-paragraph (2) above, identification of NPAs shall be done on the same basis as non-agricultural advances, which at present is the 90 days delinquency norm.
- (4) 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, an AIFI shall ensure that the interest / instalment payable on such advances are linked to crop cycles.

#### 44. Government guaranteed advances

- (1) The credit facilities backed by guarantee of the Central Government though overdue shall be treated as NPA only when the Government repudiates its guarantee when invoked.
- (2) The exemption in sub-paragraph (1) above is not for the purpose of recognition of income.
- (3) State Government guaranteed advances and investments in State Government guaranteed securities shall attract asset classification and provisioning norms if interest and / or principal or any other amount due to the AIFI remains overdue for more than 90 days.

#### 45. Export Project Finance

- (1) In respect of export project finance, there could be instances where the actual importer has paid the dues to the bank abroad but the bank in turn is unable to remit the amount due to political developments such as war, strife, UN embargo, etc.
- (2) In such cases, where the lending AIFI is able to establish through documentary evidence that the importer has cleared the dues in full by depositing the amount in the bank abroad before it turned into NPA in



the books of the AIFI, 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 bank abroad.

46. Transfer of Loan Exposures – The asset classification and provisioning requirements in respect of transactions involving transfer of loans shall be as per the [Reserve Bank of India \(All India Financial Institutions – Transfer and Distribution of Credit Risk\) Directions, 2025.](#)
47. Takeout finance
  - (1) The asset classification norms shall be followed by the concerned AIFI in whose books the account stands as balance sheet item as on the relevant date.
  - (2) Where the credit facility becomes NPA before take over by the taking over institution, the lending AIFI shall classify the asset as NPA.
  - (3) Subsequent to take over by an AIFI, the taking over AIFI shall classify the asset as NPA from the actual date of it becoming NPA even though the account was not in its books as on that date.

#### **E. Categories of non-performing assets**

48. An AIFI shall classify non-performing assets further into 'substandard assets', 'doubtful assets' and 'loss assets' categories based on the period for which the asset has remained non-performing and the realisability of the dues.
49. An NPA classified as substandard asset will have well defined credit weaknesses that jeopardise the liquidation of the debt and are characterised by the distinct possibility that the AIFI will sustain some loss, if deficiencies are not corrected.
50. An NPA classified as 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.



51. An NPA classified as loss asset is considered uncollectible and of such little value that its continuance as a bankable asset is not warranted although there may be some salvage or recovery value.
52. Notwithstanding paragraph 33, in respect of accounts where there are potential threats for recovery on account of erosion in the value of security or non-availability of security and existence of other factors such as frauds committed by borrowers, the asset should be straightaway classified as doubtful or loss asset as appropriate.
53. For the purpose of paragraph 52, the following shall apply:
  - (1) erosion in the value of security shall be reckoned as significant when the realisable value of the security is less than fifty per cent of the value assessed by the AIFI or accepted by the Reserve Bank at the time of last inspection, as the case may be. Such NPAs may be straightaway classified under doubtful category.
  - (2) if the realisable value of the security, as assessed by the AIFI / approved valuers / the Reserve Bank is less than ten per cent of the outstanding in the borrowing accounts, the existence of security shall be ignored and the asset shall be straightaway classified as loss asset.

#### **F. Upgradation of loan accounts classified as NPAs**

54. The loan accounts classified as NPAs may be upgraded as 'standard' asset only if entire arrears of interest and principal are paid by the borrower.
55. With regard to upgradation of accounts classified as NPA due to restructuring, non-achievement of date of commencement of commercial operations (DCCO), etc., the instructions as specified in the [Reserve Bank of India \(All India Financial Institutions – Resolution of Stressed Assets\) Directions, 2025](#) shall be applicable in addition to compliance with these Directions.
56. In case of borrowers having more than one credit facility from an AIFI, loan 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.



57. An AIFI resorting to partial and technical write-offs shall not show the remaining part of the loan or advance as a standard asset.



## Chapter IV - Provisioning Norms

### A. General Principles for Provisioning

58. The provisioning shall be made on the basis of the classification of assets based on the period for which the asset has remained non-performing and the availability of security and the realisable value thereof.
59. The primary responsibility for making adequate provisions for any diminution in the value of loan assets, investment or other assets is that of the management of the AIFI and the statutory auditors.
60. The assessment made by the inspecting officer of the Reserve Bank is furnished to the AIFI to assist its management and the statutory auditors in taking a decision in regard to making adequate and necessary provisions in terms of prudential guidelines.
61. Taking into account the time lag between an account becoming doubtful of recovery, its recognition as such, the realisation of the security and the erosion over time in the value of security charged to the AIFI, the AIFI shall make provision against substandard assets, doubtful assets and loss assets.
62. The rights, licenses, authorisations, etc., charged to the AIFI as collateral in respect of projects (including infrastructure projects) financed by them, should not be reckoned as tangible security. Hence such advances shall be reckoned as unsecured.
63. An AIFI 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 the right of the AIFI to receive annuities and toll collection rights is legally enforceable and irrevocable.
64. In case of public-private partnership (PPP) projects, the debts due to an AIFI may be considered as secured to the extent assured by the project authority in terms of the Concession Agreement, subject to the following conditions:



- (1) user charges / toll / tariff payments are kept in an escrow account where senior lenders have priority over withdrawals by the concessionaire;
- (2) there is sufficient risk mitigation, such as pre-determined increase in user charges or increase in concession period, in case project revenues are lower than anticipated;
- (3) the lenders have a right of substitution in case of concessionaire default;
- (4) the lenders have a right to trigger termination in case of default in debt service; and
- (5) upon termination, the Project Authority has an obligation of:
  - (i) compulsory buy-out; and
  - (ii) repayment of debt due in a pre-determined manner.
- (6) In all such cases, the AIFI shall satisfy itself about the legal enforceability of the provisions of the tripartite agreement and factor in their past experience with such contracts.

## **B. Provisions in respect of Standard assets**

65. An AIFI shall make general provision for standard assets at the following rates for the funded outstanding on global loan portfolio basis:
  - (1) farm credit to agricultural activities, individual housing loans and Small and Micro Enterprises (SMEs) sectors at 0.25 per cent;
  - (2) advances to Commercial Real Estate (CRE) sector at 1.00 per cent;
  - (3) advances to Commercial Real Estate – Residential Housing Sector (CRE - RH) at 0.75 per cent;
  - (4) housing loans extended at teaser rates as indicated in paragraph 96;
  - (5) restructured advances – as stipulated in the Reserve Bank of India (All India Financial Institutions – Resolution of Stressed Assets) Directions, 2025;



- (6) All other loans and advances not included in (1) – (5) above at 0.40 per cent.
- 66. Loans to Medium Enterprises shall attract 0.40 per cent standard asset provisioning.

- 67. The provisions on standard assets shall not be reckoned for arriving at net NPAs.
- 68. The provisions towards standard assets need not be netted from gross advances but shown separately as 'Contingent Provisions against Standard Assets' under 'Other Liabilities and Provisions Others' in Schedule 5 of the balance sheet.

#### **C. Provisions in respect of substandard assets**

- 69. A general provision of 15 per cent on total outstanding should be made in respect of substandard assets without making any allowance for Export Credit Guarantee Corporation (ECGC) guarantee cover and securities available.
- 70. The 'unsecured exposures' which are identified as 'substandard' would attract additional provision of 10 per cent, i.e., a total of 25 per cent on the outstanding balance
- 71. Notwithstanding paragraph 70, infrastructure loan accounts which are classified as sub-standard shall attract a provisioning of 20 per cent, in view of certain safeguards such as escrow accounts available in respect of infrastructure lending. To avail of this benefit of lower provisioning, an AIFI shall have in place an appropriate mechanism to escrow the cash flows and also have a clear and legal first claim on these cash flows.
- 72. In the case of leased assets, the provisions shall be 15 per cent of the sum of the net investment in the lease and the unrealised portion of finance income net of finance charge component. The terms 'net investment in the lease', 'finance income' and 'finance charge' shall be as defined in 'AS 19 Leases'.
- 73. Unsecured lease exposures, which are identified as 'substandard' shall attract additional provision of 10 per cent, i.e., a total of 25 per cent.



#### **D. Provisions in respect of Doubtful Assets**

74. An AIFI shall make provisions of 100 per cent of the extent to which the advance is not covered by the realisable value of the security to which the AIFI has a valid recourse and the realisable value is estimated on a realistic basis.
75. In regard to the secured portion, provision shall be made on the following basis, at the rates ranging from 25 per cent to 100 per cent of the secured portion depending upon the period for which the asset has remained doubtful:

<b>Period for which the advance has remained in 'doubtful' category</b>	<b>Provisioning requirement (in per cent)</b>
Up to one year	25
One to three years	40
More than three years	100

76. In the case of leased assets classified as 'Doubtful', 100 per cent of the extent to which the finance is not secured by the realisable value of the leased asset, shall be provided for. Realisable value must be estimated on a realistic basis.
77. In addition to the above provision, provision at the rates specified in paragraph 75 shall be made on the sum of the net investment in the lease and the unrealised portion of finance income net of finance charge component of the secured portion, depending upon the period for which asset has been doubtful.

#### **E. Provisions in respect of Loss Assets**

78. Loss assets should be written off.
79. If loss assets are permitted to remain in the books for any reason, 100 per cent of the outstanding should be provided for.
80. Similarly, if for any reason, a leased asset classified as 'Loss' is allowed to remain in books, 100 per cent of the sum of the net investment in the lease and the unrealised portion of finance income net of finance charge component shall be provided for.

#### **F. Additional Provisions at higher than prescribed rates**

81. The provisioning rates prescribed in these Directions are the regulatory minimum.



82. An AIFI is encouraged to make provisions at higher rates in respect of advances to stressed sectors of the economy which are classified as standard.
83. The Board approved policy for making provisions for standard assets at rates higher than the regulatory minimum, shall be reviewed at least on a quarterly basis, of the performance of various sectors of the economy to which the AIFI has an exposure to evaluate the present and emerging risks and stress therein. The review may include quantitative and qualitative aspects like debt-equity ratio, interest coverage ratio, profit margins, ratings upgrade to downgrade ratio, sectoral non-performing assets / stressed assets, industry performance and outlook, legal / regulatory issues faced by the sector, etc. The reviews may also include sector specific parameters.
84. Similarly, an AIFI may voluntarily make specific provisions for NPAs at rates which are higher than the rates prescribed under these Directions, to provide for estimated actual loss in collectible amount, provided such higher rates are approved by the Board of Directors and consistently adopted from year to year.
85. The additional provisions for NPAs, like the minimum regulatory provision on NPAs, may be netted off from gross NPAs to arrive at the net NPAs.

## **G. Provisions under Special Circumstances**

86. Provisioning in respect of cases of fraud
  - (1) An AIFI shall normally provide for the entire amount due to the AIFI or for which the AIFI is liable (including in case of deposit accounts), immediately upon a fraud being detected.
  - (2) To smoothen the effect of such provisioning on quarterly profit and loss, an AIFI has the option to make the provisions over a period, not exceeding four quarters, commencing from the quarter in which the fraud has been detected.
  - (3) While computing the provisioning requirement, an AIFI may adjust financial collateral eligible under credit risk mitigation techniques available in terms of the [Reserve Bank of India \(All India Financial Institutions – Prudential Norms on Capital Adequacy\) Directions, 2025](#),



if any, available with them with regard to the accounts declared as fraud account.

87. Advances against deposits / specific instruments – advances against NSCs eligible for surrender, KVPs, government & other securities and life insurance policies shall attract provisioning requirements as applicable to their asset classification status.

88. Treatment of interest suspense account

- (1) Amounts held in Interest Suspense Account shall not be reckoned as part of provisions.
- (2) Amounts lying in the Interest Suspense Account shall be deducted from the relative advances and thereafter, provisioning as per the norms, should be made on the balances after such deduction.

89. Project Finance

- (1) For project finance exposures, an AIFI shall maintain a general provision at the following rates for the funded outstanding on a portfolio basis:

	Construction Phase (in per cent)	Operational Phase – <u>after</u> commencement of repayment of interest <u>and</u> principal (in per cent)
<b>CRE</b>	1.25	1.00
<b>CRE-RH</b>	1.00	0.75
<b>All others</b>	1.00	0.40

- (2) For accounts which have availed DCCO deferment and are classified as 'standard', an AIFI shall maintain additional specific provisions as per the [Reserve Bank of India \(All India Financial Institutions – Resolution of Stressed Assets\) Directions, 2025.](#)
- (3) The provisions stipulated in sub-paragraphs (1) and (2) above shall not be applicable for projects where financial closure has been achieved as on October 1, 2025, and such project loans shall continue to be guided by the prudential guidelines prevailing before October 1, 2025 for the purpose of provisioning, which otherwise shall be treated as repealed.
- (4) Notwithstanding sub-paragraph (3) above, in case of any resolution of a fresh credit event and / or change in material terms and conditions in the



loan contract in such projects, subsequent to October 1, 2025, the provisions stipulated in sub-paragraphs (1) and (2) shall apply to these projects as if these were sanctioned post October 1, 2025.

(5) Provisioning for project loans classified as NPA shall be as per the instructions in paragraphs 69 to 80 of these Directions.

90. Advances covered by ECGC guarantee

(1) In the case of advances classified as doubtful and guaranteed by ECGC, provision shall be made only for the balance in excess of the amount guaranteed by the ECGC.

(2) Further, while arriving at the provision required to be made for doubtful assets, realizable value of the securities shall first be deducted from the outstanding balance in respect of the amount guaranteed by the ECGC and then provision made.

*Illustration II:*

Outstanding Balance	₹4 lakh
ECGC Cover	50 per cent
Period for which the advance has remained doubtful	More than 2 years remained doubtful (say as on March 31, 2014)
Value of security held	₹1.50 lakh

Provision required to be made:

Outstanding balance	₹4.00 lakh
Less: Value of security held	₹1.50 lakh
Unrealised balance	₹2.50 lakh
Less: ECGC Cover (50 per cent of unrealisable balance)	₹1.25 lakh
Net unsecured balance	₹1.25 lakh
Provision for unsecured portion of advance	₹1.25 lakh (@ 100 per cent of unsecured portion)
Provision for secured portion of advance (as on March 31, 2012)	₹0.60 lakh (@ 40 per cent of the secured portion)
Total provision to be made	₹1.85 lakh (as on March 31, 2014)

91. Advance covered by guarantees under any existing or future schemes launched by Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE),



Credit Risk Guarantee Fund Trust for Low Income Housing (CRGFTLIH) and National Credit Guarantee Trustee Company Ltd (NCGTC).

- (1) In case the advance covered by any existing or future schemes/guarantees launched by CGTMSE, CRGFTLIH and NCGTC becomes non-performing, no provision need be made towards the guaranteed portion.
- (2) The amount outstanding, in excess of the guaranteed portion, shall be provided for as per the extant guidelines on provisioning for non-performing assets.

*Illustration III:*

Outstanding Balance	₹10 lakh
CGTMSE/CRGFTLIH Cover	75 per cent of the amount outstanding or 75 per cent of the unsecured amount or ₹37.50 lakh, whichever is the least
Period for which the advance has remained doubtful	More than 2 years remained doubtful (say as on March 31, 2014)
Value of security held ₹1.50 lakh	Value of security held ₹1.50 lakh

*Provision required to be made:*

Balance outstanding	₹10.00 lakh
Less: Value of security	₹1.50 lakh
Unsecured amount	₹8.50 lakh
Less: CGTMSE/CRGFTLIH cover (75 per cent)	₹6.38 lakh
Net unsecured and uncovered portion:	₹2.12 lakh
Provision for Secured portion @ 40 per cent of ₹1.50 lakh	₹0.60 lakh
Provision for Unsecured & uncovered portion @ 100 per cent of ₹2.12 lakh	₹2.12 lakh
Total provision required	₹2.72 lakh

## 92. Reserve for Exchange Rate Fluctuations Account (RERFA)

- (1) 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 should 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 shall be adopted:

- (i) The loss on revaluation of assets shall be booked in the Profit & Loss Account of the AIFI.
- (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.

### 93. Provisioning for country risk

- (1) An AIFI shall make provisions, on the net funded country exposures on a graded scale ranging from 0.25 to 100 per cent according to the risk categories as per the following schedule:

<b>Risk category</b>	<b>ECGC Classification</b>	<b>Provisioning Requirement (per cent)</b>
Insignificant	A1	0.25
Low Risk	A2	0.25
Moderately Low Risk	B1	5
Moderate Risk	B2	20
Moderately High Risk	C1	25
High Risk	C2	100
Very High Risk	D	100

- (2) An AIFI 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.
- (3) 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.
- (4) Notwithstanding sub-paragraph (3) above, in the case of 'loss assets' and 'doubtful assets', provision held, including provision held for country risk, shall not exceed 100 per cent of the outstanding.
- (5) An AIFI may not make any provision for 'home country' exposures i.e. exposure to India.



- (6) The exposures of foreign branches of AIFIs to the host country should be included for the computation of provision requirements.
- (7) An AIFI may make a lower level of provisioning (say 25 per cent of the requirement) in respect of short-term exposures (i.e. exposures with contractual maturity of less than 180 days).

94. Provisioning norms for liquidity facility provided for Securitisation transactions

- (1) The amount of liquidity facility drawn and outstanding for more than 90 days, in respect of securitisation transactions undertaken in terms of the [Reserve Bank of India \(All India Financial Institutions – Securitisation Transactions\) Directions, 2025](#), shall be fully provided for.

95. Provisioning requirements for derivative exposures

- (1) Credit exposures computed as per the current marked to market value of the contract, arising on account of the interest rate and 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.
- (2) All conditions applicable for treatment of the provisions for standard assets shall also apply to the aforesaid provisions for derivative and gold exposures.

96. Provisioning for housing loans at teaser rates

- (1) The standard asset provisioning on the outstanding amount of housing loans at teaser rates i.e. at comparatively lower rates of interest in the first few years, after which rates are reset at higher rates, shall be 2.00 per cent in view of the higher risk associated with them.
- (2) The provisioning on these assets shall revert to 0.40 per cent after one year from the date on which the rates are reset at higher rates if the accounts remain 'standard'.

97. Wilful Defaulters



- (1) The provisioning 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 more than once in the list of wilful defaulters, shall be five per cent in cases of standard accounts.
- (2) If such account is classified as NPA, it will attract accelerated provisioning as under:

Asset Classification	Period as NPA	Regular provisioning (in per cent)	Accelerated provisioning (in per cent)
Sub-standard (secured)	Up to 6 months	15	No change
	6 months to 1 year	15	25
Sub-standard (unsecured <i>ab initio</i> )	Up to 6 months	25 (other than infrastructure loans)	25
		20 (infrastructure loans)	
	6 months to 1 year	25 (other than infrastructure loans)	40
		20 (infrastructure loans)	
Doubtful I	2nd year	25 (secured portion)	40 (secured portion)
		100 (unsecured portion)	100 (unsecured portion)
Doubtful II	3rd & 4th year	40 (secured portion)	100 for both secured and unsecured portions
		100 (unsecured portion)	
Doubtful III	5th year onwards	100	100

## 98. Takeout finance

- (1) The lending AIFI and / or the taking over AIFI, shall make appropriate provisions corresponding to the asset classification as per paragraph 47.
- (2) As and when the asset is taken over by the taking over institution, the lending AIFI may reverse the corresponding provisions.



## **H. Provisioning Coverage Ratio (PCR)**

99. From a macro-prudential perspective, an AIFI is encouraged to build up provisioning and capital buffers in good times i.e. when the profits are good, which can be used for absorbing losses in a downturn.
100. The Reserve Bank has not prescribed any regulatory minimum level of PCR for an AIFI, and the same is left to the discretion of the AIFI.



## Chapter V - Income Recognition

### A. General Principles for Income Recognition

101. An AIFI shall recognise income on accrual basis only in respect of credit facilities which are classified as 'standard'.
102. For credit facilities which are not classified as 'standard' including those guaranteed by Government, income shall be recognized on actual receipt basis i.e. cash basis.
103. Notwithstanding paragraph 102, interest on advances against NSCs, KVPs, and life insurance policies may be taken to income account on the due date, provided adequate margin is available in the accounts.
104. Fees and commissions earned by an AIFI as a result of renegotiations or rescheduling of outstanding debts shall be recognised on an accrual basis over the period of time covered by the renegotiated or rescheduled extension of credit.

### B. Reversal of income upon classification as NPA

105. If any advance, including bills purchased and discounted as well as a Government guaranteed account, becomes NPA, the entire interest accrued and credited to income account in the past periods, shall be reversed if the same is not realised.
106. If loans with moratorium on payment of interest (permitted at the time of sanction of the loan) become NPA after the moratorium period is over, the capitalized interest, if any, corresponding to the interest accrued during such moratorium period need not be reversed.
107. In respect of NPAs, fees, commission and similar income that have accrued shall cease to accrue in the current period and shall be reversed with respect to past periods, if uncollected.
108. In respect of leased assets, the finance charge component of finance income (as defined in 'AS 19 Leases') on the leased asset which has accrued and was credited to income account before the asset became non-performing, and



remaining unrealised, shall be reversed or provided for in the current accounting period.

#### **C. Interest application after NPA classification**

109. On an account turning NPA, an AIFI shall reverse the interest already charged and not collected by debiting Profit and Loss account and stop further application of interest.
110. An AIFI shall continue to record such accrued interest in a Memorandum account in their books.
111. For the purpose of computing Gross Advances, interest recorded in the Memorandum account should not be considered.

#### **D. Appropriation of recovery from NPAs**

112. Interest realised on NPAs may be taken to income account provided the credits in the accounts towards interest are not out of fresh / additional credit facilities sanctioned to the borrower concerned.
113. In the absence of a clear agreement between an AIFI and the borrower for the purpose of appropriation of recoveries in NPAs (i.e. towards principal or interest due), the AIFI shall adopt an accounting principle and exercise the right of appropriation of recoveries in a uniform and consistent manner.

#### **E. Income recognition in special cases**

114. Derivative contracts classified as NPA
  - (1) In respect of derivative contracts classified as NPA, the amount representing unrealized income already booked on accrual basis and taken to 'Profit and Loss a/c' shall be reversed and held in a 'Suspense Account-Crystallised Receivables' in the same manner as done in the case of overdue advances.
  - (2) Further, in cases where the derivative contracts provide for more settlements in future, the MTM value will comprise of:
    - (i) crystallised receivables; and



- (ii) positive or negative MTM in respect of future receivables.
- (3) If the derivative contract is not terminated on the overdue receivable remaining unpaid for 90 days, in addition to reversing the crystallised receivable from Profit and Loss Account as stipulated in sub-paragraph (1) above, the positive MTM pertaining to future receivables shall also be reversed from Profit and Loss Account to another account styled as 'Suspense Account – Positive MTM'.
- (4) The subsequent positive changes in the MTM value shall be credited to the 'Suspense Account – Positive MTM', not to Profit and Loss Account.
- (5) The subsequent decline in MTM value shall be adjusted against the balance in 'Suspense Account – Positive MTM'. If the balance in this account is not sufficient, the remaining amount may be debited to the Profit and Loss Account.
- (6) On payment of the overdues in cash, the balance in the 'Suspense Account-Crystallised Receivables' shall be transferred to the 'Profit and Loss Account', to the extent payment is received.
- (7) If the AIFI has other derivative exposures on the borrower, the MTMs of other derivative exposures shall also be dealt with / accounted for in the manner as described in this paragraph, subsequent to the crystallised / settlement amount in respect of a particular derivative transaction being treated as NPA.
- (8) Similarly, in case a fund-based credit facility extended to a borrower is classified as NPA, the MTMs of all the derivative exposures should be treated as per this Paragraph.

#### 115. Take out finance

- (1) The norms of income recognition shall be followed by the AIFI in whose books the account stands as balance sheet item as on the relevant date.
- (2) Where the credit facility becomes NPA before take over by the taking over institution, the lending AIFI should not recognise income on accrual



basis and account for the same only when it is paid by the borrower / taking over institution (if the arrangement so provides).

116. In cases of loans where moratorium has been granted for repayment of interest, income may be recognised on accrual basis for accounts which continue to be classified as 'standard'. This shall be evaluated against the definition of 'restructuring' provided in the [Reserve Bank of India \(All India Financial Institutions – Resolution of Stressed Assets\) Directions, 2025.](#)

#### **F. Tax treatment in respect of provisions**

117. In terms of Section 43(D) of the Income Tax Act, 1961, income by way of interest in relation to such categories of bad and doubtful debts as may be prescribed having regard to the guidelines issued by the Reserve Bank in relation to such debts, shall be chargeable to tax in the previous year in which it is credited to the profit and loss account or received, whichever is earlier.
118. The stipulation in paragraph 117 is not applicable to provisioning required to be made as per these Directions. Therefore, amounts set aside for making provision for NPAs as per these Directions are not eligible for tax deductions.
119. An AIFI shall either make full provision as per these Directions or write-off such advances and claim such tax benefits as are applicable, by evolving appropriate methodology in consultation with their auditors/tax consultants.
120. Recoveries made in such accounts shall be offered for tax purposes as per the rules.



## Chapter VI - Repeal and Other Provisions

### A. Repeal and saving

121. With the issue of these Directions, the existing directions, instructions, and guidelines relating income recognition, asset classification and provisioning as applicable to All India Financial Institutions stands repealed, as communicated vide circular <DOR.RRC.REC.302/33-01-010/2025-26 dated November 28, 2025>. The directions, instructions and guidelines already repealed vide any of the directions, instructions, and guidelines listed in the above notification shall continue to remain repealed.

122. Notwithstanding such repeal, any action taken or purported to have been taken, or initiated under the repealed Directions, instructions, or guidelines shall continue to be governed by the provisions thereof. All approvals or acknowledgments granted under these repealed lists shall be deemed as governed by these Directions. Further, the repeal of these directions, instructions, or guidelines shall not in any way prejudicially affect:

- (1) any right, obligation or liability acquired, accrued, or incurred thereunder;
- (2) any, penalty, forfeiture, or punishment incurred in respect of any contravention committed thereunder;
- (3) any investigation, legal proceeding, or remedy in respect of any such right, privilege, obligation, liability, penalty, forfeiture, or punishment as aforesaid; and any such investigation, legal proceedings or remedy may be instituted, continued, or enforced and any such penalty, forfeiture or punishment may be imposed as if those directions, instructions, or guidelines had not been repealed.

### B. Application of other laws not barred

123. The provisions of these Directions shall be in addition to, and not in derogation of the provisions of any other laws, rules, regulations, or directions, for the time being in force.



### **C. Interpretations**

124. For the purpose of giving effect to the provisions of these Directions or in order to remove any difficulties in the application or interpretation of the provisions of these Directions, the Reserve Bank may, if it considers necessary, issue necessary clarifications in respect of any matter covered herein and the interpretation of any provision of these Directions given by the Reserve Bank shall be final and binding.

Vaibhav Chaturvedi  
(Chief General Manager)

**Annex - I****Details of Gross Advances, Gross NPAs, Net Advances and Net NPAs****Part A**

		₹ 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 per cent)	
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 Capitalization - Restructured Accounts), in respect of NPA Accounts	
6.	Net Advances (3-5)	
7.	Net NPAs {2-5(i + ii + iii + iv)}	
8.	Net NPAs as percentage of Net Advances (7/6) (in per cent)	
*	Principal dues of NPAs plus Funded Interest Term Loan (FITL) where the corresponding contra credit is parked in Sundries Account (Interest Capitalization - 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**

		₹ in crore up to two decimals)
Particulars		Amount
1.	Provisions on Standard Assets in Part A above	
2.	Interest recorded as Memorandum Item	
3.	Amount of cumulative Technical Write - Off in respect of NPA accounts reported in Part A above	