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Reserve Bank of India (Commercial Banks - Asset Classification, Provisioning and Income Recognition) Directions, 2026

Table of Contents

Introduction	3
Chapter I: Preliminary.....	4
A. Short title and commencement	4
B. Applicability	4
C. Definitions	4
Chapter II: Classification as Non-Performing Asset	10
A. Classification as Non-Performing Asset.....	10
B. Other Prudential Norms applicable to a bank	17
Chapter III: Expected Credit Loss (ECL) – based Provisioning.....	19
A. The Methodological Framework for calculating ECL.....	19
B. Fair Valuation on Transition	19
C. Initial Recognition and subsequent measurement.....	20
D. Determination of Significant Increase in Credit Risk (SICR)	21
E. Measurement of ECL – Treatment of different Financial Instruments	24
F. Determination of the period over which Lifetime ECL is measured	26
G. Probability-weighted outcome	27
H. Effective Interest Rate.....	28
I. Collateral.....	29
J. Building Blocks for Computing ECL	29
K. Other Prudential Aspects of ECL framework.....	33
L. Level of Application	33
M. Upgradation of accounts	33
N. Prudential Floors for ECL.....	34
O. Regulatory Probability of Default (PD)	43
P. Regulatory Loss Given Default (LGD).....	43
Q. Exposure at Default (EAD).....	44
R. Additional provisions in Specific cases.....	44



S.	Treatment of accounts classified as Non-Performing as on March 31, 2027	45
T.	Consolidated Financials	46
U.	Transition Arrangements	46
	Chapter IV: Income Recognition	49
	Chapter V – Principles for Model Risk Management under ECL.....	50
A.	Comprehensive Model Inventory.....	50
B.	Categorization of Models Through Risk-Based Tiering	50
C.	Model Documentation	50
D.	Structured Lifecycle Approach	51
E.	Integration of Macroeconomic Variables	51
F.	Incorporation of Additional Risk Considerations.....	51
G.	Model Validation.....	52
H.	Model Calibration	53
I.	Leveraging Credit Judgement	53
J.	Continuous Monitoring of Model Performance	53
K.	Third Party Models	53
	Chapter VI: Disclosures, Regulatory Reporting and Repeal.....	55
A.	Disclosures	55
B.	Credit risk management practices.....	55
C.	Quantitative and qualitative information about amounts arising from ECL	56
D.	Repeal and Other Provisions	58
	Annex 1	60
	Annex 2	63
	Annex 3	64
	Annex 4	69
	Annex 5	82



Introduction

Banks in India are presently governed by the prudential norms on income recognition, asset classification and provisioning prescribed by the Reserve Bank of India (RBI). With a view to further strengthening the resilience, transparency and consistency of the banking sector, and having considered the stakeholder feedback received in this regard, the Reserve Bank, in exercise of powers conferred by Sections 21, and 35A of the Banking Regulation Act, 1949, being satisfied that it is necessary and expedient in the public interest so to do, hereby issues these Directions hereinafter specified. These Directions, inter alia, provide for:

- (1) introduction of a staging framework for asset classification under the Expected Credit Loss (ECL) approach, while retaining the extant norms for classification of non-performing assets (NPAs);
- (2) adoption of a forward-looking provisioning approach under the ECL framework; and
- (3) adoption of Effective Interest Rate (EIR) method.

These Directions are intended to further strengthen credit risk management practices, improve comparability across regulated entities, and align the regulatory framework more closely with internationally accepted financial reporting principles.



Chapter I: Preliminary

A. Short title and commencement

1. These Directions shall be called the Reserve Bank of India (Commercial Banks - Asset Classification, Provisioning and Income Recognition) Directions, 2026.
2. These Directions shall come into force with effect from April 1, 2027.
3. Banks shall continue to be governed by the Reserve Bank of India (Commercial Banks – Income Recognition, Asset Classification and Provisioning) Directions, 2025 until the date of commencement of these Directions. On such commencement, the said Directions shall stand repealed.

B. Applicability

4. These Directions shall be applicable to Commercial Banks (hereinafter collectively referred to as 'banks' and individually as a 'bank'),

For the purpose of these Directions, 'Commercial Banks' means banking companies (other than Small Finance Banks, Payment Banks and Local Area Banks), corresponding new banks, and the State Bank of India, as defined respectively under clauses (c), (da), and (nc) of Section 5 of the Banking Regulation Act, 1949.

5. A bank shall also follow the prudential guidelines for restructured accounts as prescribed in the Reserve Bank of India (Commercial Banks – Resolution of Stressed Assets) Directions, 2025, in addition to these Directions, as amended from time to time.

C. Definitions

6. For the purpose of these Directions, unless the context states otherwise, the terms herein shall bear the meaning assigned to them below:

(1) "Amortised cost" of a financial instrument means the carrying amount at which the financial instrument is measured at a reporting date, subsequent to initial recognition, after taking into account principal repayments, the cumulative amortisation, using the EIR method, of any difference between the amount at initial recognition and the maturity amount, adjusted for any loss allowance.



(2) “Cash Credit” means a revolving working capital facility, under which a borrower is permitted to draw an advance, up to the sanctioned credit limit subject to permitted drawing power (DP), against the security of current assets, including goods, book debts, standing crops, etc. The DP in such facility shall be periodically determined with reference to the value of the eligible current assets. The outstanding amount shall be repayable on demand.

(3) “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:

- (i) 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 are provided in Chapter II of these Directions.
- (ii) Borrower’s Financial Distress: The issuer or borrower experiences financial difficulties, which impairs their ability to service debt obligations.
- (iii) Lender Concessions: The lender grants concessions - such as reduction in interest rates, rescheduling of repayment, or other reliefs, due to the borrower’s financial difficulty, which would not have been offered under normal circumstances.
- (iv) 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.
- (v) Acquisition at Discount: The asset is purchased or originated at a discount, reflecting inherent credit losses due to the borrower’s deteriorated credit quality.

(4) “Credit-adjusted effective interest rate” means the rate that exactly discounts the estimated future cash flows over the expected life of a purchased or originated credit-impaired financial asset (POCI) to its amortised cost at initial recognition.

(5) “Default” means the status of a financial asset that has been classified as a Non-Performing Asset in accordance with Chapter II of these Directions. This definition



shall apply solely for the purpose of these Directions and shall be without prejudice to the meaning of term 'default' as defined under any other regulatory instructions.

(6) "Effective interest rate" is the rate that exactly discounts estimated future cash flows through the expected life of the instrument to the gross carrying amount of a financial asset.

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

(8) "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 from the reporting date.

(9) "Fair Value through Profit and Loss (FVTPL)" means those financial assets classified as such in terms of the 'Reserve Bank of India (Commercial Banks – Classification, Valuation and Operation of Investment Portfolio) Directions, 2025, as amended from time to time.

(10) "Financial asset" means any asset that is:

- (i) cash;
- (ii) an equity instrument of another entity; or
- (iii) a 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.

(11) "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.

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

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

(14) "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.



(15) “Loss allowance” means an accounting provision for ECL on financial instruments, which come under the purview of these Directions.

(16) “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.

(17) “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:

- (i) the outstanding balance remains continuously in excess of the sanctioned limit/ drawing power for ninety days;
- (ii) there are no credits continuously for ninety days;
- (iii) 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 funded loan products which are not in the nature of a term loan, except credit cards.

(18) “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.

(19) “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.

(20) “Purchased or originated credit-impaired financial asset” (POCI) means financial assets that are credit-impaired on initial recognition.



(21) "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.

(22) "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 review 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.

(23) "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.

(24) "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.

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

(26) "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.

(27) "Standard assets" for the purpose of these directions shall mean exposures which are not classified as non-performing asset.

(28) "Term Loan" refers to a fund-based credit facility of a fixed principal amount made available by a bank to a borrower with all of the following features:

- (i) The sanctioned limit is disbursed in one or more instalments and is repayable in accordance with a predetermined amortization schedule, either in instalments or as a bullet on the stated due date.
- (ii) Once disbursed, the sanctioned limit cannot be restored/ replenished upon repayment of a whole or part of the principal amount.

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

(30) The terms, "Date of Commencement of Commercial Operations (DCCO)", and "financial closure" shall have the same meaning given in the Reserve Bank of India



Commercial Banks – Resolution of Stressed Assets) Directions, 2025, as amended from time to time.

(31) “Commercial Real Estate – Acquisition, Development and Construction Exposures” - CRE(ADC)– shall have the same meaning given in Reserve Bank of India (Commercial Banks - Capital Charge for Credit Risk – Standardised Approach) Directions, 2026.

(32) “Commercial Real Estate – Residential Housing (ADC)” - CRE-RH (ADC)- shall have the same meaning given in Reserve Bank of India (Commercial Banks - Capital Charge for Credit Risk – Standardised Approach) Directions, 2026.

7. All other expressions, unless defined in the respective parts, 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 any statutory modification or re-enactment thereto or any other relevant regulation or as used in commercial parlance, as the case may be.



Chapter II: Classification as Non-Performing Asset

A. Classification as Non-Performing Asset

8. A bank shall classify a financial asset as NPA if any of the following conditions are satisfied:
- (1) If interest and/ or principal remains overdue for a period of more than ninety days in respect of a term loan, bills purchased and discounted;
 - (2) If it is classified as 'out of order' in respect of an Overdraft/ Cash Credit (OD/ CC);
 - (3) 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;
 - (4) 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;
 - (5) If the amount of liquidity facility remains outstanding for more than ninety days, in respect of a securitisation transaction;
 - (6) If Partial Credit Enhancement facility remains outstanding from the date of drawal for 90 days or more;
 - (7) 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 statement¹;
 - (8) If interest / instalment (including maturity proceeds) from debt instruments such as bonds or debentures is due and remains unpaid for more than 90 days. With regard to preference shares with fixed dividend payment, the Non-Performing Investment (NPI) classification shall be as per Reserve Bank of India

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.



(Commercial Banks – Classification, Valuation, and Operation of Investment Portfolio) Directions, 2025.

- (9) 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.
- (10) The financial assets classified as NPA may be upgraded as 'standard' asset only if the entire arrears of interest and principal are repaid by the borrower. In case of borrowers having more than one credit facility from a bank, the borrower 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-paragraph, the borrower and the co-borrower shall be treated as jointly and severally liable for repayment of the credit facility.

9. Special cases of asset classification

- (1) 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, 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.
- (2) If any credit facility availed by an issuer is NPA in the books of the bank, investment in any of the securities, issued by the same issuer shall also be treated as NPI and vice versa.

Provided that in cases where only the preference shares are classified as NPI, investment in any of the other performing securities issued by the same issuer or any performing credit facilities granted to that borrower/Issuer need not be treated as NPI/NPA.

- (3) 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 Special Mention Account(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.

(4) Advances under consortium arrangements

(i) Asset classification of loan 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 loan.

(ii) Where the remittances by the borrower under consortium lending arrangement is pooled with one RE and/ or where the RE receiving remittances is not parting with the share of other members, the 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.

(5) Advances against Term Deposits: Financial assets secured by term deposits placed with the same bank, need not be treated as NPAs, provided margin is available. However, this exemption from NPA classification is not available in cases where NPA classification is on account of application of paragraph 8.(9) above.

Explanation: Margin for the above purpose shall refer 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.

(6) 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 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.

(7) 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 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 – Scheduled Commercial Banks dated October 17, 2018, as updated from time to time. 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. 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.

(v) 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.

(8) Government advances/ Government guaranteed advances

(i) A bank shall not classify its investment in Central Government Securities and SLR eligible State Government Securities as Non-performing Investment (NPI).

(ii) 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.

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

(iv) 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.

(9) 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.

10. 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.

B. Other Prudential Norms applicable to a bank

11. The asset classification norms under these Directions shall be without prejudice to the requirements as laid down under Reserve Bank of India (Commercial Banks – Transfer and Distribution of Credit Risk) Directions, as amended from time to time.
12. 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.
13. 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 repayments² 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.
14. 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.
15. 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.

² 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.

Annex 3 of these Directions contains requirements relating to automation of Asset Classification with respect to NPAs/NPIs.

16. 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

A. The Methodological Framework for calculating ECL

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

- (1) Loans;
- (2) Debt securities other than those measured at Fair Value Through Profit or Loss (FVTPL)³;
- (3) Trade receivables;
- (4) Lease receivables;
- (5) Loan commitments, including undrawn commitments;
- (6) Off-balance-sheet credit exposures; and,
- (7) Any other financial assets having contractual right to receive cash, unless specifically excluded under these Directions.

Explanation: Any investment in subsidiaries, associates, and joint ventures shall be outside the purview of ECL-based provisioning.

18. For the purpose of measuring expected credit losses, a bank shall assess, at each reporting date, whether the credit risk on a financial instrument has increased significantly since initial recognition. Where such increase has not occurred, the bank shall recognise a loss allowance based on 12-month expected credit losses. Where such increase is determined to have occurred, the bank shall recognise a loss allowance, estimated based on lifetime expected credit losses.

B. Fair Valuation on Transition

19. On the date of transition to the ECL framework, i.e., April 1, 2027, banks shall fair value their entire loan portfolio, including all outstanding advances. Any difference arising between the fair value of financial assets and their carrying amount immediately preceding the date of transition shall be adjusted against the opening balance of retained earnings and shall not be routed through P&L account.

³ For the purpose of this provision, debt securities not measured at FVTPL shall mean debt securities that satisfy the "Solely payment of Principal and Interest" (SPPI) criterion under the Reserve Bank of India (Commercial Banks – Classification, Valuation, and Operation of Investment Portfolio) Directions, 2025, as amended from time to time.



Where facts and circumstances indicate that the transaction has been undertaken on terms such that the fair value of the financial asset is not materially different from its carrying cost, the same shall be presumed to be the best evidence of fair value.

C. Initial Recognition and subsequent measurement

20. For loans originated on or after April 1, 2027, a bank shall measure a financial asset, including a loan, at fair value plus or minus transaction costs that are directly attributable to the acquisition or origination of the financial asset. After initial recognition, a bank shall measure financial assets at amortised cost using the effective interest rate (EIR) method.
21. All loans outstanding as on March 31, 2027 shall be brought under the EIR regime no later than March 31, 2030. Banks shall ensure that the necessary adjustments arising out of transition to the EIR framework are duly recognized in their financial statements.
22. Initial recognition and subsequent measurement of investments, including debt securities, covered under these Directions shall be governed by the provisions of the Reserve Bank of India (Commercial Banks – Classification, Valuation, and Operation of Investment Portfolio) Directions, 2025, as amended from time to time.
23. In the case of loan commitments, including undrawn commitments; and off-balance sheet exposures, the date on which the bank becomes a party to the irrevocable commitment or obligation shall be deemed to be the date of initial recognition for the purposes of application of ECL Framework.
24. A financial asset that is credit-impaired on initial recognition and qualifies as a POCI asset shall be identified separately and accounted for in accordance with the treatment applicable to POCI assets under these Directions. In such cases, the expected credit losses at the date of initial recognition, including at the date of transition, as applicable, shall be reflected in the estimated future cash flows used for computing the credit-adjusted effective interest rate, and no separate impairment allowance shall be recognised at such date in the manner applicable to other financial assets. Thereafter, only the cumulative changes in lifetime expected credit losses, relative to the estimate as at the date of initial recognition or transition, as applicable, shall be recognised as impairment gain or loss.



D. Determination of Significant Increase in Credit Risk (SICR)

25. A bank shall recognise loss allowance under the ECL framework using a “three-stage” approach, based on changes in credit risk since initial recognition, and on whether the asset is credit-impaired at the reporting date:

- (1) **Stage 1:** A financial instrument shall be classified under Stage 1, where it has not experienced a SICR since initial recognition or where it is determined to have low credit risk in terms of Paragraph 37 of these Directions. In respect of such financial instruments, 12-month ECL shall be recognised, unless specifically exempted under these Directions.
- (2) **Stage 2:** A financial instrument shall be classified under Stage 2, where it has experienced a SICR since initial recognition but is not considered to be ‘credit impaired’. For such financial instruments, lifetime ECL shall be recognised.
- (3) **Stage 3:** A financial instrument shall be classified under Stage 3, where it is considered to be ‘credit impaired’ as at the reporting date. For such financial instruments, lifetime ECL shall be recognised.

26. At each reporting date, a bank shall assess whether the credit risk on the financial instrument has increased significantly since initial recognition. For this purpose, the bank shall compare the risk of default occurring on the financial instrument over its expected life as at the reporting date, with the risk of a default occurring on the financial instrument over its expected life as at the date of initial recognition, and shall 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.

27. Where, for a particular class of financial instruments or portfolio segment, if risk of default is not concentrated at a specific point of time beyond 12 months, a bank may use such changes in 12 month risk of default for the purpose of assessing significant increase in credit risk, unless the facts and circumstances indicate that a lifetime assessment is necessary. However, such approximation shall not be used where the contractual payment profile, residual maturity, or the nature of relevant macroeconomic or other credit-related factors suggest that the risk of default is concentrated at a point beyond 12 months.



28. When more forward-looking information is unavailable, overdue status (either on an individual or a collective basis) may be used by a bank as a backstop to determine whether there has been a significant increase in credit risk since initial recognition.
29. 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.
30. The parameters that may be used by banks to determine SICR shall be used consistently. An indicative list of the manner in which such consistency may be operationalised is as given under:
- (1) 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, the internal policy of the bank shall clearly define the number of notches a particular rating shall be downgraded to be considered as having SICR. This shall be used consistently by the bank.
 - (2) If the bank uses “increase in pricing of a loan” as a parameter for determining SICR, the quantum of increase in pricing that will be considered as SICR shall be documented as part of the internal policy.
 - (3) If the bank uses “deterioration of the macroeconomic outlook” relevant to a particular instrument as a parameter for determining SICR, the macroeconomic parameters and the quantum of deterioration shall be documented as part of the internal policy.
31. A bank may, at its discretion, adopt an approach to recognise SICR 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:
- (1) instrument type;
 - (2) credit risk ratings;
 - (3) collateral type;
 - (4) remaining term to maturity;



- (5) industry;
 - (6) geographical location of the borrower; and,
 - (7) the value of collateral relative to the financial asset if it has an impact on the probability of a default occurring.
32. Further, where collective assessment is used, it is not necessary for the entire segment to migrate to lifetime ECL if only a subset of the segment is identified as having experienced SICR.
33. Regardless of the manner in which a bank assesses SICR, there shall be a rebuttable presumption that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than “30 days past due”. In the case of revolving facilities, the rebuttable presumption shall be that the outstanding balance remains continuously in excess of the sanctioned limit or drawing power, whichever is lower, for a period of up to 60 days. In such cases, the bank shall recognise lifetime ECL in respect of such financial assets.
34. A bank may rebut this presumption referred to in paragraph 33 only where it has reasonable and supportable information, available without undue cost or effort, demonstrating that the credit risk on the financial instrument has not increased significantly since initial recognition, notwithstanding that contractual payments are more than 30 days past due. Such rebuttal shall not be adopted in a routine or mechanical manner.
35. The policy, criteria and methodology for rebutting the presumption referred to in paragraph 34, including the nature of exposures, product classes or portfolio segments in respect of which such rebuttal may be considered, shall be clearly documented and approved by the Board or an appropriate Board-approved committee. The same shall be applied consistently to similarly placed exposures.
36. A bank shall maintain adequate documentation supporting each instance, or class of instances, where the presumption referred to in paragraph 33 has been rebutted, including the rationale, supporting evidence, validation and periodic review thereof. Where the basis for such rebuttal is found to be inadequate, the bank shall cease to apply such rebuttal and shall recognise significant increase in credit risk in accordance with paragraph 33.



37. A bank may not be required to test the following instruments for SICR:

- (1) SLR eligible investments;
- (2) Direct claims on central government;
- (3) Exposures fully guaranteed by the central government and
- (4) Exposures to Foreign Sovereigns, Foreign Central Banks, Multilateral Development Banks, Bank for International Settlements and Internal Monetary Fund, which attract a risk weight of zero percent, as specified under Reserve Bank of India (Commercial Banks - Capital Charge for Credit Risk – Standardised Approach) Directions, 2026.

38. A bank is not required to maintain Stage 1 ECL for the exposures mentioned in paragraph 37 above.

E. Measurement of ECL – Treatment of different Financial Instruments

39. Expected credit losses are a probability-weighted estimate of credit losses, measured over the relevant time horizon of the financial instrument in accordance with these Directions.

40. “Credit loss” for different types of financial instruments can be calculated as below:

- (1) For loans and similar financial assets, a credit loss is the difference between the present values of:
 - (i) the contractual cash flows that are due to the bank under the contract;
 - and,
 - (ii) the cash flows that the bank expects to receive.
- (2) For undrawn loan commitments, a credit loss is the difference between the present values of:
 - (i) the contractual cash flows that are due to the bank if the borrower draws down the loan; and
 - (ii) the cash flows that the bank expects to receive if the loan is drawn down.
- (3) 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.

41. 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.
42. For calculation of ECL for instruments other than those mentioned in paragraph 41 above, 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 contains certain broad principles to be followed by a bank for ensuring prudence and robustness while using models in the process of ECL computation.
43. 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.
44. It shall 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 at a later point in time than the contractual date.
45. Under the Expected Credit Loss (ECL) framework using the PD–LGD approach, banks shall compute Stage 1 ECL using a 12-month Probability of Default (PD) and Stage 2 ECL using a lifetime PD. Upon migration of an exposure from Stage 1 to Stage 2, or otherwise becomes subject to lifetime ECL, the bank shall estimate and apply a lifetime PD that appropriately reflects the revised credit risk characteristics of the exposure at the time of such migration. The lifetime PD shall not be derived in a mechanical manner solely from PD parameters calibrated for Stage 1 exposures without appropriate adjustment for the higher risk profile and lifetime horizon of the exposure.



F. Determination of the period over which Lifetime ECL is measured

46. 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:

(1) **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.

(2) **Loan commitments with undrawn components/ revolving facilities:**

(i) **Loan with 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. When determining the period over which the bank is exposed to credit risk on the financial instrument, it should consider factors such as relevant historical information and experience on similar financial instruments. The measurement of expected credit losses shall take into account credit risk management actions that are taken once an exposure has increased in credit risk, such as the reduction or withdrawal of undrawn limits.

(ii) **Revolving loan commitments without auto renewal** (working capital demand loans, cash credit, overdraft facilities): The maximum period to consider when measuring ECL shall ordinarily be the maximum contractual period, including extension options, over which the bank is exposed to credit risk. However, the renewal date may be considered as the relevant point for measurement only when the bank is able to demonstrate, through documented policy



and observed practice, that the renewal process is substantive in nature and results in a fresh and effective reassessment of the borrower's credit risk.

For this purpose, the bank shall evidence that, at the time of such renewal, there are instances of significant changes to terms and conditions, including reduction or withdrawal of limits, enhancement of security, revised pricing, or non-renewal depending on the changes in financial and other conditions of the borrower, as applicable. This assessment may be undertaken at individual, or where appropriate, at a portfolio level.

(iii) **Revolving facilities with auto renewal as per contract** (Example: credit cards): In the case of such facilities, the bank shall determine the period over which expected credit losses are to be measured based on the period for which it is exposed to credit risk. For this purpose, the bank shall analyse the historical data, including default patterns, drawdown behaviour and the effectiveness of actions such as reduction, suspension or cancellation of limits.

(3) **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.

G. Probability-weighted outcome

47. The purpose of estimating ECL is neither to estimate a worst-case scenario nor a best-case scenario. The estimate of ECL shall reflect an unbiased and probability-weighted amount, determined by evaluating a range of possible outcomes.
48. For the above purpose, a bank shall use multiple scenarios with each scenario representing the relationship between the key components of ECL and the relevant macroeconomic variables.
49. The probability weight assigned to each scenario shall be determined by the bank *inter alia* taking into account historical experience and expert judgement, as appropriate. The above shall be subject to oversight under the bank's approved governance framework.



H. Effective Interest Rate

50. ECL for a financial instrument originated/invested on or after April 1, 2027 shall be computed using the EIR determined at initial recognition⁴. ECL for a POCI financial asset originated on or after April 1, 2027 shall be computed using the “Credit-adjusted effective interest rate”. Further, the opening ECL as on April 1, 2027 (computed based on the balance sheet position as on March 31, 2027) may, at the discretion of the bank, be calculated using contractual interest rate as the discounting factor, in the interim. However, ECL computation for all such outstanding loans shall be fully migrated to EIR regime on or before March 31, 2030.
51. While calculating the effective interest rate, a bank shall estimate the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but shall not consider the expected credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the bank may use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).
52. Fees that are an integral part of the effective interest rate of a financial instrument include origination fees received by the bank relating to the creation and acquisition of a financial asset and commitment fees received by the bank to originate a loan.
53. Transaction costs include fees and commission paid to agents (including employees acting as selling agents), advisers, brokers and dealers etc. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

⁴ Banks are required to re-estimate EIR for floating-rate instruments whenever there is a change in the benchmark rate.



54. ECL on loan commitments shall be discounted using the effective interest rate, or an approximation thereof, that will be applied when recognising the financial asset resulting from such commitment. In the case of revolving facilities and guarantee contracts for which the EIR cannot be determined directly, the bank shall apply 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.

I. Collateral

55. 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 of the financial instrument, to which the bank has a valid recourse. 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 ₹7.5 crore, the collateral charged in favour of the bank shall be valued at the time of classification and thereafter, at least once every two years, by the valuers appointed, as per the bank's internal policy. In case of stock, such valuation shall be undertaken at least annually. Frequency of valuation of other exposures may be determined as per the internal policy of the bank in this regard.

J. Building Blocks for Computing ECL

J.1 Governance Framework

56. The internal policy and governance framework of a bank shall cover all material aspects of the ECL lifecycle. The bank's Board of Directors shall be responsible for oversight of the implementation and ongoing functioning of the ECL Framework.

57. A committee of the Board, or a Board-approved committee, including the Chief Financial Officer (CFO) and Chief Risk officer (CRO), shall oversee robust implementation of the ECL framework. The focus area of the subcommittee shall *inter alia* include:

- (1) reviewing and challenging the ECL implementation strategy adopted by the management.



- (2) Checking whether the ECL computation methodologies and assumptions used are consistent and are in alignment with the risk management practices.
- (3) Ensuring data integrity throughout the entire lifecycle of ECL computation.
- (4) Ensuring an effective and robust governance and control frameworks over ECL estimation.
- (5) Ensuring complete independence of internal model validation function and suitability of the coverage.
- (6) Ensuring high-quality transition as well as ongoing disclosures.
- (7) Ensuring compliance with applicable regulations, internal policies and procedures.

J.2 Credit Risk Drivers

58. A bank shall have a sound credit risk assessment and measurement process. The processes, systems, tools and data used for computation of ECL shall, to the extent relevant, be consistent with and drawn upon those used for credit risk assessment. Such common processes, systems, tools and data may include credit risk rating systems, estimated PDs (subject to appropriate adjustments), past-due status, loan-to-value ratios, product type, collateral type etc.

59. A bank shall have an effective credit risk rating/scoring system where each “credit risk grade/range of score” 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.

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

J.3 Data Aggregation and Management

61. The credit risk data collected by the bank shall be sufficiently granular to enable meaningful assessment of the borrowers’ credit profile and to ensure that borrowers with similar risk characteristics are appropriately segmented together.



62. A bank shall develop comprehensive processes for the identification, assessment and management of data quality risks associated with data used as inputs to models or otherwise used at various stages of ECL computation. Such processes shall be applicable to both internal and external data. The bank shall also ensure effective management of historical data.
63. During the process of data aggregation, whether internal or external, a bank shall avoid material inconsistency or selective use of data, as the same may result in inaccurate or biased ECL outcome. A bank may exclude certain information during data aggregation only where such exclusion does not have a material impact on the ECL computation.
64. A bank shall maintain sufficient historical loss data, covering an adequately representative period, to provide a meaningful basis for analysis of its credit loss experience for use as a starting point in estimating the level of loss allowances on an individual or collective basis. In determining the period of such data, the bank shall take into account the nature of the portfolio, data availability, and the need to capture variations across business cycles and associated outliers.

J.4 Segmentation of Exposures

65. 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.
66. The basis of grouping into a segment shall be reviewed periodically, to ensure that exposures within the group remain homogeneous in terms of their response to credit risk drivers.
67. Segments identified at initial recognition based on similar credit risk characteristics may 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 where relevant new information is received, or where changes in the bank's expectations of credit risk so warrant.



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

J.5 Forward looking information

69. A bank shall, at each reporting date, include borrower-specific factors, general economic conditions and an assessment of both the current as well as the forecasted macroeconomic variables in the assessment of ECL. While estimating ECL over longer time horizons, which may involve greater estimation uncertainty and judgment, a bank may rely on internal projections based on available and reasonable information.
70. Historical information shall serve as an important anchor for measurement of ECL. However, a bank shall adjust the risk parameters derived from historical data, such as Observed Default Rate (ODR), on the basis of current observable data so as to reflect the effects of current economic conditions and 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 so as to reduce any differences between estimates and actual credit loss experience.
71. In cases where historical data on ODR or LGD is unavailable, a bank may use suitable benchmarks, which shall be periodically validated.
72. The links between macroeconomic variables and credit risk drivers shall be clearly established. Where statistical linkages are weak, expert credit judgment may be used to guide ECL estimates, provided that the rationale is thoroughly documented and rigorously reviewed at appropriate governance levels. Such judgment shall also take into account the bank's position in the credit cycle so as to ensure context-specific estimates.
73. A bank shall develop a disciplined and robust approach to the assessment and measurement of ECL and shall have in place adequate processes, systems and controls to ensure that ECL estimates are unbiased and subject to appropriate governance.

J.6 Model Risk Management

74. 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-tier model risk management framework as part of internal control framework so as to ensure clear accountability:

- (1) **Front-Line Operations:** Model owners shall be responsible for the development, implementation, and use of models, and for ensuring that such models are subject to appropriate approval, independent validation, promptly addressing changes and maintaining accountability for performance within the bank's policies.
- (2) **Risk Management and Compliance:** The risk management function shall identify and monitor risks arising from ECL model ecosystem, oversee independent validation, enforce model risk limits, and ensure appropriate remedial actions wherever required.
- (3) **Internal Audit:** Internal audit shall provide objective assurance on the effectiveness of the above two layers, and shall report to the Board or the Audit Committee on ECL and model risk management.

Broad principles governing model risk management in the context of ECL framework are provided in Chapter V.

K. Other Prudential Aspects of ECL framework

75. ECL allowances in respect of Stage 3 financial instruments shall be treated as specific provisions. ECL allowances in respect of Stage 1 and Stage 2 financial instruments shall be eligible to be treated as general provisions for inclusion in Tier 2 capital, subject to the extant prescribed limits. Any management overlay shall also be treated as general provision for this purpose.

L. Level of Application

76. Where a bank has more than one exposure to a borrower, and any one of such exposures is classified as Stage 3, all exposures to that borrower including non-funded exposures shall also be classified as Stage 3. Accordingly, Stage 3 classification shall be applied at the borrower-level and Stage 2 classification shall be applied at the facility level.

M. Upgradation of accounts

77. A financial instrument, other than a restructured financial instrument, classified as Stage 3, may be straightaway upgraded to Stage 1, after all the irregularities which



lead to Stage 3 classification cease to exist, including absence of any evidence indicating SICR. If there is evidence of SICR, the financial instrument may be moved to Stage 2.

78. A financial instrument (other than that of an MSME to whom the aggregate exposure of commercial banks⁵ is less than Rs.25 crore) restructured in terms of Reserve Bank of India (Commercial Banks – Resolution of Stressed Assets) Directions, 2025, as amended from time to time, and classified as Stage 3, shall be classified as Stage 2 only upon fulfilling the conditions prescribed at paragraph 58 and 60 of the aforesaid Directions. Thereafter, such financial instrument shall be classified as Stage 1, upon achievement of satisfactory performance during the specified period, provided there is no SICR.

79. A financial instrument (of an MSME to whom the aggregate exposure of commercial banks⁵ is less than Rs.25 crore) restructured in terms of Reserve Bank of India (Commercial Banks – Resolution of Stressed Assets) Directions, 2025, as amended from time to time, and classified as Stage 3, shall be classified as Stage 1 upon fulfilling the conditions prescribed at paragraph 59 of aforesaid Directions, provided there is no SICR.

80. Satisfactory Performance and Specified Period shall be as prescribed under the extant Reserve Bank of India (Commercial Banks – Resolution of Stressed Assets) Directions, 2025, as amended from time to time.

81. Without prejudice to the above, a bank shall also comply with the extant Reserve Bank of India (Commercial Banks – Resolution of Stressed Assets) Directions, 2025, as amended from time to time, for upgradation of accounts.

N. Prudential Floors for ECL

82. (1) The Stage-wise ECL estimates arrived at by the bank for loans falling under the below loan product categories shall be subject to the product-wise and stage-wise prudential floors specified below, which shall act as a regulatory backstop:

⁵ Commercial Banks herein includes SFBs, but exclude Payment Banks, Local Area Banks and Regional Rural Banks.



	Loan Product Category	Stage 1 Floor	Stage 2 Floor
(i)	Secured retail loans ⁶	0.40%	5%
(ii)	Corporate Loan	0.40%	5%
(iii)	Loan to Small and Micro enterprises	0.25%	5%
(iv)	Loan to Medium Enterprises	0.40%	5%
(v)	Farm Credit to agricultural activities ⁷	0.25%	5%
(vi)	Loan to Banks, NBFCs and other Regulated FIs	0.40%	5%

The prudential floor for the above loan product categories that have moved into Stage 3 shall be as below:

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	

(2) The product-wise and stage-wise prudential floors for below “loan product categories” are as below:

	Loan Product Category	Stage 1 Floor	Stage 2 Floor
(vii)	Loan against Term Deposits, LIC policy, Kisan Vikas Patra	0.40%	0.40%
(viii)	Gold Loan	0.40%	1.50%
(ix)	Direct exposures to State Government and exposures guaranteed by State Government.	0.40%	2.50%

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

⁷ The type of loans that fall under this category are listed in paragraph 9.(7).(ii) of these Directions.



The prudential floor for the above loan product categories that have moved into Stage 3 shall be as below:

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	

(3) The product-wise and stage-wise prudential floors for below “loan product category” is as below:

	Loan Product Category	Stage 1 Floor	Stage 2 Floor
(x)	Unsecured Retail Loans	1%	5%

The prudential floor for the above loan product categories that have moved into Stage 3 shall be as below:

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

(4) The product-wise and stage-wise prudential floors for below “loan product categories” are as below:

(xi) Claims secured by Real Estate	Stage 1	Stage 2
a. Housing loan to individuals	0.25%	1.50%
b. Commercial Real Estate Exposures – Acquisition, Development and Construction (ADC):		
(i) CRE (ADC), other claims secured by non-qualifying Commercial/residential Real Estate where applicable	1.25%	Credit event related to “DCCO



Risk-weight as per the extant norms ⁸ is 150%".		deferment" : Additional Provision: 0.5625%*
(ii) CRE-RH (ADC) (Commercial Real Estate – Residential Housing (ADC)) and other claims secured by non-qualifying Commercial/ Residential Real Estate where counterparty risk weights are applicable as per the extant norms.	1%	Credit event related to other than "DCCO deferment" : 5%
c. Other claims secured by Residential Real Estate	0.40%	1.50%
d. Other claims secured by Commercial Real Estate	0.40%	2.50%

Note 1: For CRE (ADC) & CRE-RH (ADC) accounts which have availed DCCO deferment as per extant norms, a bank shall maintain account wise additional specific provisions of 0.5625%, for each quarter of deferment, over and above the applicable Stage 1 provision.

Note 2: During operational phase of CRE-RH (ADC) and CRE (ADC), these loans shall be treated as corporate loans and the corresponding floor shall be applicable.

(xii) Project Finance Exposures (other than Real Estate)

	Stage 1	Stage 2
a. Pre-operational Phase	1%	Credit event related to "DCCO deferment" : Additional Provision: 0.375% / 0.5625%* Credit event related to other than "DCCO deferment" : 5%
b. Operational Phase	0.40%	5%

Note 1: For project finance exposures (other than CRE (ADC) & CRE-RH (ADC)) which have availed DCCO deferment as per extant norms, a bank shall maintain additional account wise specific provisions of 0.375% for infrastructure project loans and 0.5625% for non-infrastructure project loans, for each quarter of deferment, over and above the applicable Stage 1 provision.

⁸ Reserve Bank of India (Commercial Banks – Capital Charge for Credit Risk – Standardised Approach) Directions, 2026



(xiii) Exposures guaranteed by the central government

For exposures under various schemes of 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), the prudential floor for Stage 1 and Stage 2 exposures shall be as below:

Stage 1	Stage 2
0.25%	0.25%

Note: The above guaranteed exposures shall be classified as Stage 3 and attract the specified provisioning as provided in the below paragraph 82(5), if the claims are not settled with ninety dates from the due date of the loan.

(xiv) Advances restructured and classified as standard

Prudential floor for 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 – Scheduled Commercial Banks, as updated from time to time, shall be 5% if it falls under Stage 1 category subsequent to restructuring. In case of any SICR, the assets shall be migrated to Stage 2 Category, thereby warranting a provision of 10%.

(xv) The product-wise and stage-wise prudential floors for any other loan product category not covered above shall be as below:

Stage 1	Stage 2
0.40%	5%

(5) The prudential floor for the above loan product categories that have moved into Stage 3 shall be as below:

For loan product category listed under items at (xi).(a) are as below:

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	



For loan product categories listed under items at (xi).(b).(i), (xi).(b).(ii), (xii), (xiv) and (xv) are as below:

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	

For loan product category listed under item (xi).(c) and (xi).(d) is as below:

Duration in Stage 3	Stage 3 floor (in per cent)
0-1 year	15/25*
1 – 2 years	25/100*
2 – 3 years	40/100*
3-4 years	55/100*
More than 4 years	100
*Unsecured portion	

For loan product category listed under items at (xiii) is as below:

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 and unguaranteed portion	

83. The ECL on Investments shall also be subjected to product-wise and stage-wise prudential floors, depending on the category of the issuer of the investment instrument, as determined in line with corresponding loan product categories specified above. For instance, an investment in a bond issued by a corporate shall attract the same prudential floor as is applicable to corporate loans as specified above. For financial instruments which are measured at FVTPL and categorised



as Non-performing, banks shall apply impairment provisioning equivalent to stage 3 for category (xv) as mentioned in paragraph 82.

84. The ECL on the undrawn commitment component of a loan or investment exposure shall also be subjected to product-wise and stage-wise prudential floors. The applicable floor shall be same as that applicable to the corresponding loan product category, after application of Credit Conversion Factor (CCF)⁹ as specified in Reserve Bank of India (Commercial Banks - Capital Charge for Credit Risk – Standardised Approach) Directions, 2026
85. The ECL on off-balance-sheet credit exposures, including financial guarantees, shall also be subjected to product-wise and stage-wise prudential floors. The applicable floor shall be the same as that applicable to the corresponding loan product category, after application of the corresponding CCF.
86. The prudential floors applicable to any other financial instruments not specifically covered above shall be the same as those applicable to the residual category (xv) as mentioned in paragraph 82.
87. In the case of performance guarantee classified as non-performing, banks shall maintain a prudential impairment provision equivalent to the Stage 3 floor applicable to the corresponding “loan product category”, depending on the category of the principal debtor, under these Directions, after application of the applicable CCF¹⁰. Once devolved, the provisioning shall be as applicable above without application of CCF.
88. For loan portfolios covered by Default Loss Guarantee (DLG) arrangements in terms of Chapter III of the Reserve Bank of India (Commercial Banks – Credit Facilities) Directions, 2025 and Part B of the Reserve Bank of India (Commercial Banks – Transfer and Distribution of Credit Risk) Directions, 2025, both dated November 28, 2025, as amended from time to time, a bank may consider the DLG for determining provisions under the ECL framework across all stages, subject to the DLG arrangement being integral to the contractual terms of the loan and the

⁹ For CCF of 5% for 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, conditions prescribed in paragraph 46.(2).(i) of these Directions shall be satisfied.

¹⁰ CCF shall be applied only in case of non-devolvement of the contingent exposures. Upon devolvement, the normal provisioning requirements shall apply.



DLG not being recognised separately. Since upon every event of invocation of DLG, the DLG cover reduces to the extent of invocation, a bank shall recompute their ECL provisioning requirements across stages, after duly adjusting for the reduced DLG cover.

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

Explanation regarding application of Prudential Floor

90. For the purpose of arriving at final ECL allowance, banks shall apply prudential floors separately for each “loan product categories”. In respect of Stage 1 and Stage 2 exposures within each such category, the prudential floors shall be applied on a portfolio basis separately for each stage. Where the bank decides to apply Stage 1 and Stage 2 floors at individual account level, the same shall be undertaken as per its internal policies. However, in the case of Stage 3 exposures, prudential floors shall be mandatorily applied at the individual account level.

91. Upon origination, each loan shall be classified into the appropriate loan product category based on its inherent characteristics and the nature of collateral. The prudential floor applicable to such category shall ordinarily continue to apply unless the underlying characteristics of the exposure undergo a material change warranting reclassification.

92. Banks shall maintain strict segregation of loan exposures across product categories while computing ECL provisions. Loans belonging to one product category shall not be included within another category for the purpose of ECL computation.

Explanation: A gold loan, being characterised by collateralization against pledged gold and specific risk dynamics, shall be classified and reported under the “Gold Loan” product category. Such loans shall not be grouped under broader categories such as “secured retail loans” for the computation of ECL or the application of prudential floors.

93. Banks shall establish adequate governance and internal control mechanisms to ensure compliance and transparency with regard to classification of loan exposures into the appropriate product categories and in the application of the



corresponding prudential floors. The internal policy of the bank shall, inter alia, provide for:

- (1) clearly defined loan product category and classification rules;
- (2) robust loan origination systems for capturing the appropriate product category;
- (3) periodic internal audit of classification decisions; and
- (4) management oversight to ensure that provisioning practices remain aligned with regulatory expectations.

94. Banks shall maintain robust documentation supporting the classification of loans into product categories. Banks shall ensure that all loan exposures are correctly classified into their respective product categories and there is no misclassification with the objective of understating ECL provisions.

Explanation regarding secured/unsecured portion

95. 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:

- (1) 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.
- (2) The borrower entity has sufficient reserve funds or other financial arrangements to cover the contingency funding and working capital requirements of the project.
- (3) 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.

- (4) 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;
- (5) 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.
- (6) 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;
- (7) All assets and contracts necessary to operate the project have been charged in favour of the bank to the extent permitted by applicable law; and
- (8) The bank may assume control of the borrower entity or substitute the borrower entity or trigger termination in case of default.

O. Regulatory Probability of Default (PD)

96. The 12-month PD for any instrument, applicable for the purpose of ECL computation, shall be subject to a minimum regulatory floor of 0.03 per cent.

P. Regulatory Loss Given Default (LGD)

97. For the purpose of ECL computation, a bank shall estimate LGD on the basis of its own historical information and other relevant data. However, if the bank finds itself unable to compute or reliably estimate LGD internally, it may apply the following regulatory backstop LGD values:

	Secured Portion	Unsecured Portion
Regulatory LGD	65%	70%

98. In the case of secured portion of a loan backed by certain specific eligible collateral recognised as a credit risk mitigants under the Reserve Bank of India (Commercial Banks - Capital Charge for Credit Risk – Standardised Approach) Directions, 2026, where the bank is unable to compute or reliably estimate LGD internally, it may apply a regulatory LGD of 30%. This differentiated treatment shall be applicable in the limited context of cash, gold including both bullion and jewellery, securities



issued by central and state government, LIC policy, Kisan Vikas Patra and National Savings Certificates.

99. The computation or estimation of LGD shall be subject to internal validation by an independent team. The detailed rationale and methodology used for such computation or estimation shall be appropriately documented by the bank.

Q. Exposure at Default (EAD)

100. A bank shall estimate EAD appropriately for the purpose of computation of ECL. To measure the EAD of the loan commitments and guarantee contracts, the bank shall estimate the amount that is expected to be drawn down by the borrower at the time of default. Credit risk mitigants shall not be netted off from EAD for the purpose of computation of ECL. Where the bank is unable to reliably estimate the EAD internally, it may apply the regulatory CCF specified in Reserve Bank of India (Commercial Banks - Capital Charge for Credit Risk – Standardised Approach) Directions, 2026 for estimating the EAD in respect of such exposures. For applying CCF to commitments that are unconditionally cancellable at any time by the bank without prior notice, or that effectively provide for automatic cancellation upon deterioration in the borrower's credit worthiness, the conditions prescribed in paragraph 46 (2) of these Directions shall be satisfied.

R. Additional provisions in Specific cases

101. 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:

- (1) For Resolution of Stressed Assets - Reserve Bank of India (Commercial Banks – Resolution of Stressed Assets) Directions, 2025, as updated from time to time.
- (2) 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 the Reserve Bank of India (Commercial Banks - Capital Charge for Credit Risk – Standardised



Approach) Directions, 2026 , if any, available with them with regard to the accounts declared as fraud account.

(3) 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.

(4) Wilful 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.

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

S. Treatment of accounts classified as Non-Performing as on March 31, 2027

103. Accounts classified as NPAs as on March 31, 2027 shall not be upgraded solely on account of the implementation of these Directions. Such accounts shall continue to retain their NPA status until the underlying deficiencies or irregularities that resulted in such classification are rectified in accordance with the applicable prudential requirements.

104. Upon satisfactory rectification of the factors that led to the NPA classification, such accounts may be migrated to the appropriate stage under the ECL



framework in accordance with these Directions. Any reversal of provisions in respect of such accounts shall be permitted only to the extent warranted by the ECL applicable to the relevant stage, subject to the applicable prudential floors and other requirements under these Directions.

Banks shall put in place appropriate systems, processes, and controls to ensure compliance with the above instructions during the transition to the ECL framework.

T. Consolidated Financials

105. For the purpose of preparation of consolidated financial statements, subsidiaries, joint ventures and associates, as applicable, shall prepare their financial statements as per extant accounting and regulatory norms applicable to them.

U. Transition Arrangements

106. With a view to mitigating the impact of transition to the ECL Framework on regulatory capital and to provide banks time to rebuild their capital resources, the following transitional arrangement shall apply where the adoption of ECL results in increase in provisioning requirement.

107. The transitional adjustment amount shall be the excess, if any, of the ECL required as on April 1, 2027, computed on the basis of the balance sheet position as on March 31, 2027, over the provisions held as per the extant IRACP norms as on March 31, 2027. This transition impact, if any, shall be adjusted against opening earnings as on April 1, 2027 and shall not be routed through profit & loss account.

108. For the purpose of regulatory capital, a bank may, at its option, add back to Common Equity Tier 1 (CET1) capital a fraction of the transitional adjustment amount, net of applicable taxes, during the transition period ending March 31, 2031, as per the table below. A bank may choose to complete such transition over a shorter period.

Fraction of Transitional Adjustment Amount

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

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;



- IRAC Provisions_{Mar 31,2027} is the stock of provisions held as per extant IRACP norms as on March 31, 2027; and
- 'f' shall not exceed the value specified for the relevant financial year as per the table below:

Financial Year	Maximum fraction of transitional adjustment amount that may be added back to CET 1 capital
2027-28	$\frac{4}{5}$
2028-29	$\frac{3}{5}$
2029-30	$\frac{2}{5}$
2030-31	$\frac{1}{5}$

109. The transitional adjustment amount included in CET1 capital during each year of the transition period shall also flow through, as appropriate, to Tier 1 capital and total capital, and consequently to measures derived therefrom, including the leverage ratio and large exposures limits. However, the transitional adjustment amount added back shall not be:

- (1) included in Tier 2 capital;
- (2) used to reduce exposure amounts under the standardised approach; and
- (3) used to reduce the total exposure measure for the purpose of the leverage ratio.

110. Where the ECL required as on April 1, 2027 is lower than the provisions held under the extant IRACP norms as on March 31, 2027, banks may record the adjustment directly in retained earnings as on April 1, 2027, instead of routing the same through the profit and loss account.

111. A bank shall continue to calculate and maintain provisions as per the ECL framework from FY 2027-28 onwards, irrespective of whether it avails of the transitional arrangement under these Directions.

112. A bank shall make appropriate disclosures in their financial statements regarding:

- (1) whether the regulatory transitional arrangement has been applied; and,



- (2) the impact of such arrangement on the bank's regulatory capital and leverage ratios, as compared with the bank's fully loaded capital and leverage ratios had such transitional arrangement not been applied.



Chapter IV: Income Recognition

113. Interest Income in respect of financial assets such as loans and investment exposures which fall under the purview of these Directions, originated starting April 1, 2027, shall be recognised by applying the EIR to the gross carrying amount of the financial asset, so long as the asset remains classified as Stage 1 and Stage 2.
114. For loans outstanding as on March 31, 2027, banks, at their discretion may continue to recognize income at contractual interest rate, in the interim. However, starting April 1, 2030, income on all loans shall be measured at EIR. Banks shall ensure that the necessary adjustments arising out of transition to the EIR framework are duly recognized in their financial statements. For investments outstanding as on March 31, 2027 banks shall recognize income as per the provisions of Reserve Bank of India (Commercial Banks – Classification, Valuation, and Operation of Investment Portfolio) Directions, 2025 as amended from time to time.
115. In respect of the below financial assets, interest income shall not be accrued and shall be recognized only on cash basis:
- (1) POCI financial asset; and
 - (2) financial assets that were not POCI at initial recognition but have subsequently become credit-impaired.,
116. Where a financial asset referred to in paragraph 115(2) ceases to be credit-impaired, and is upgraded in accordance with these Directions, interest income shall thereafter be recognised by applying the EIR to the gross carrying amount of such financial asset, subject to the applicable staging and upgradation requirements under these Directions.
117. A bank may transfer overdue interest to a specific memorandum or specific tracking account for the purpose of monitoring recoverability and dues.
118. All aspects relating to interest income on investments shall be governed by *Reserve Bank of India (Commercial Banks – Classification, Valuation and Operation of Investment Portfolio) Directions, 2025* as amended from time to time.



Chapter V – Principles for Model Risk Management under ECL

119. In order to ensure 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 shall provide a framework for ensuring reliability and accountability in estimating credit losses across diverse portfolios, while balancing regulatory compliance with the exercise of informed judgment.

A. Comprehensive Model Inventory

120. A bank shall maintain a robust model inventory framework to systematically identify and catalogue all models used in ECL lifecycle. This inventory shall include key details such as model owners, developers, and users; tiering based on risk and materiality; intended users (e.g., regulatory or internal); dependencies with upstream and downstream models; and the status of validation and monitoring. The model inventory shall serve as centralised repository to facilitate effective oversight, governance and control by management, validation and audit functions.

B. Categorization of Models Through Risk-Based Tiering

121. 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.

C. Model Documentation

122. 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.



D. Structured Lifecycle Approach

123. 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.

E. Integration of Macroeconomic Variables

124. 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.

F. Incorporation of Additional Risk Considerations

125. Banks shall, while computing PD and LGD for credit exposures, duly take into account the country risk associated with a particular exposure, including the political, economic, and transfer risks relating to the jurisdiction in which the borrower operates or where the exposure is located.

126. Banks shall also incorporate, in their estimation of PD and LGD, the risks arising from exposures to entities having unhedged foreign currency exposures. In this regard, banks shall ensure that the potential adverse impact of exchange rate volatility on the repayment capacity of such entities is adequately reflected in the credit risk parameters.

127. Further, banks shall consider the additional risks associated with credit facilities extended to overseas subsidiaries of Indian corporates, including but not limited to



jurisdictional, legal, regulatory, and enforcement risks, while determining PD and LGD.

128. Banks shall ensure that their internal credit risk models, policies, and procedures are appropriately modified to incorporate the above risk factors in the computation and validation of PD and LGD parameters.

129. The Board of Directors of banks shall oversee the implementation of the above measures and ensure that adequate systems and controls are in place for the consistent application of these guidelines.

G. Model Validation

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

- (1) **Scope and Summary:** Clarify the model's purpose, including vendor models, estimated outputs, regulatory uses, and any development or prior validation challenges.
- (2) **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.
- (3) **Methodology:** Confirm the conceptual and mathematical soundness of model design, calibration appropriateness, and rationale for analytical or expert assumptions, reviewing developer validation tests.
- (4) **Use:** Ensure alignment with intended purpose and regulatory compliance.
- (5) **Monitoring and Maintenance:** Assess ongoing monitoring plans, including issues and mitigation actions.
- (6) **Access and Change Controls:** Review stakeholder access, change permissions, and version controls.
- (7) **Model Inventory:** Confirm that the model inventory is comprehensive.
- (8) **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.



H. Model Calibration

131. 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.

I. Leveraging Credit Judgement

132. Forward-looking information shall be suitably integrated into ECL estimation, with establishment of clear links between macroeconomic variables and credit risk drivers.

J. Continuous Monitoring of Model Performance

133. 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. Model monitoring shall be reviewed and approved by a model management committee formed for this purpose, which shall address metric breaches. Improvements post-validation shall be documented to support continuous enhancement.

134. 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.

K. Third Party Models

135. Banks shall be responsible for the management of model risk, even when they enter into a contractual agreement with a third-party for Model related services. Banks shall be ultimately responsible and accountable for the integrity and outcomes of third-party models.



136. Banks shall ensure that there are appropriate processes in place for selecting third-party models as well as their validation as part of their framework.
137. The contractual agreements with the third parties shall provide for access by the bank to minimum technical documentation on the models being used or acquired that should give reasonable understanding on design, configuration, assumptions and operation of the model. Banks shall ensure that the level of detail in the documentation of third-party vendor models is sufficient to validate the model in terms of the banks' validation policy.
138. Banks may consider external validation of third-party models. In such cases, banks shall ensure that the external validation is independent and reliable.
139. Wherever banks have engaged third-party models, such arrangements shall include appropriate contractual provisions enabling supervisory evaluation of such models either directly by the Reserve Bank officials or by other external experts as engaged by the Reserve Bank.
140. The arrangement shall be in compliance with the provisions of Master Direction on Outsourcing of Information Technology Services dated April 10, 2023 (as amended from time to time).



Chapter VI: Disclosures, Regulatory Reporting and Repeal

A. Disclosures

141. The disclosures to be made by a bank with respect to ECL shall be 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:

- (1) 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
- (2) 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
- (3) 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.

B. Credit risk management practices

142. 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:

- (1) how did the bank determine a significant increase in the credit risk of financial instruments since initial recognition.
- (2) definition of credit impairment
- (3) how were the instruments grouped if ECL are measured on a collective basis;
- (4) how did a bank determine that its financial assets are credit-impaired;
- (5) bank's write-off policy, including the indicators that there is no reasonable expectation of recovery.



143. 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:

- (1) the basis of inputs and assumptions and the estimation techniques used to:
 - (i) measure the 12-month and lifetime ECL;
 - (ii) determine whether the credit risk of financial instruments have increased significantly since initial recognition; and
 - (iii) determine whether a financial asset is a credit-impaired financial asset.
- (2) how forward-looking information has been incorporated into the determination of ECL, including the use of macroeconomic information; and
- (3) changes in the estimation techniques or significant assumptions made during the reporting period and the reasons for those changes.

C. Quantitative and qualitative information about amounts arising from ECL

144. 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:

- (1) the loss allowance measured at an amount equal to 12-month ECL
- (2) the loss allowance measured at an amount equal to lifetime ECL for:
 - (i) financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets;
 - (ii) 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.

145. 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:

- (1) changes because of financial instruments originated or acquired during the reporting period;
- (2) changes arising from whether the loss allowance is measured at an amount equal to 12-month or lifetime ECL.

146. 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.

147. 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.

148. The first reporting as per the ECL framework, where in banks are required to present the previous year comparatives shall be done starting March 31, 2028¹¹.

149. Banks shall parallelly continue to report quarterly unaudited financial results under existing regulations and in line with Reserve Bank of India (Commercial Banks – Income Recognition, Asset Classification and Provisioning) Directions, 2025 up to December 31, 2027.

150. As part of reporting under the ECL framework starting June 30, 2027, apart from standalone and consolidated financial results, banks shall present information as required in **Annex 4** of this Direction.

Annex 5 contains list of circulars repealed with respect to the provisions relating to Commercial Bank coming under the purview of these Directions.

¹¹ Banks may, at their discretion, present the previous year comparatives while presenting the financial information for the period before March 31, 2028.



D. Repeal and Other Provisions

D.1 Repeal and saving

151. With the commencement of these Directions, the existing Directions relating to Income Recognition, Asset Classification and Provisioning as applicable to Commercial Banks stand repealed . The Directions, instructions and guidelines repealed prior to the issuance of these Directions shall continue to remain repealed.

152. 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.

D.2 Application of other laws not barred

153. 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.

D.3 Interpretations

154. 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 RBI 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 RBI shall be final and binding.



(Vaibhav Chaturvedi)

Chief General Manager



Annex 1

Illustrative list of information that may be relevant in assessing significant changes in credit risk (SICR)

- (1) 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.
- (2) 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.
- (3) 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.
 - (v) the borrower's outstanding securities have been delisted, or are in the process of being delisted, or are under threat of being delisted from an exchange due to noncompliance with the listing requirements or for financial reasons.
- (4) an actual or expected significant change in the financial instrument's external credit rating.



- (5) an actual or expected internal credit rating downgrade for the borrower or decrease in behavioural scoring used to assess credit risk internally
- (6) 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
- (7) 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.
- (8) significant increases in credit risk on other financial instruments of the same issuer/ borrower.
- (9) 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.
- (10) 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.
- (11) 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.
- (12) 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).

- (13) 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.
- (14) 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).
- (15) 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.
- (16) 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.
- (17) past due information.
- (18) 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 – Trade/lease receivables**

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

Automation of Asset Classification, Income Recognition and Provisioning with respect to NPAs/NPIs

1. Coverage of automation:

(1) All borrowal accounts, including temporary overdrafts, irrespective of size, sector or types of limits, shall be covered in the automated IT based system ('System') for NPA/ Non-Performing Investments (NPI) classification, upgradation and provisioning processes. A bank's investments shall also be covered under the System.

(2) NPA/NPI classification rules shall be configured in the System

(3) In addition, income recognition / derecognition in case of impaired assets (NPAs / NPIs) shall be system driven and amount required to be reversed from the income account should be obtained from the System without any manual intervention.

(4) The System shall handle both downgrade and upgrade of accounts through Straight Through Process (STP) without manual intervention.

(5) Without prejudice to the provisions of these Directions, banks shall, to the extent feasible and appropriate, apply the system-based control framework prescribed herein, to the ECL framework as well. Accordingly, banks shall endeavour to automate, to the maximum extent possible, the processes relating to staging, determination of SICR, computation of impairment allowance, income recognition, reversals, and related reporting under the ECL framework, with clearly documented business rules, maker-checker controls, audit trails and exception logs. Any manual intervention shall be duly documented and subject to appropriate oversight.

2. The System based NPA/NPI classification shall be an ongoing exercise for both downgradation and upgradation of accounts. A bank shall ensure that the NPA/NPI classification status is updated as part of day end process. A bank shall be able to generate classification status report at any given point of time with actual date of classification of assets as NPAs / NPIs.



3. Exceptions to automation:

(1) Exceptions may be granted from System driven classification and provisioning in circumstances, which are expected to be minimum and temporary.

(2) A bank shall not resort to manual intervention / over-ride in the System based NPA/NPI classification process.

(3) In any exceptional circumstance where manual intervention is required to override the System classification, it shall have at least two level authorisation. Such delegation of powers for authorising the exceptions shall be as per the Board approved policy of the bank (by CEO, in case of unavailability of Board) and preferably be done from the centralised location and suitably documented. Further, any such intervention shall have appropriate audit trails and subjected to audit by concurrent and statutory auditors. Detailed reports of such manual intervention shall be placed before the Audit Committee / Audit Head (banks having no Board) regularly.

(4) A bank shall maintain logs for all exceptions i.e. manual interventions / over-rides including, but not limited to, the date and time stamp; purpose / reason; user-IDs, name and designation of those making such manual intervention and necessary account details. These logs shall also be stored for a minimum period of three years and not be tampered with during the storage period. These logs shall be system generated.

4. System Requirements and System Audit:

(1) In case a separate application outside the Core Banking System (CBS) is used as the System for NPA / NPI identification and / or classification, the System must have access to the required data from the CBS and / or other relevant applications of the bank and the borrower / investment accounts shall be updated back into the CBS automatically, wherever applicable, through STP.

(2) A bank shall keep the business logic and other parameters / configurations of the System updated to ensure that the System based identification, classification, provisioning and income recognition are strictly in compliance with the regulatory guidelines on an ongoing basis.

(3) There shall be periodic system audit, at least once in a year, by Internal / External Auditors who are well versed with the system audit both on system parameters.



5. A bank shall adhere to the following baseline requirements while designing and maintaining the NPA/NPI classification System:

(1) Data Input

(i) Data Input in the System by any means shall be fully captured and stored without truncation (For example, time stamp - with date and time, narration field, or any other text data captured).

(ii) Ensure presence of necessary validation / verification checks in the solution for the user inputs, wherever applicable. Such validations, among other things should check for data type validations, min / max value, exceptions, etc.

(iii) Ensure necessary data validation/checks in the System for the data keyed in manually, wherever applicable. For example, such validations with master data (or parameters used in asset classification fed into the System as per the internal policy of the bank) could prevent issues related to incorrect entries generally seen (illustrative but not exhaustive list) in margin setting, moratorium period, security valuation, repayment schedule, products mapped / linked to different categories of account holders (as per applicability) etc.

(iv) Data input shall be effected only after authentication and authorisation.

(2) User Access Management

(i) Ensure that all 'user-IDs' in the System have unique identification. If there are any generic user-IDs used, it shall only be used under exceptional circumstances and such ids shall be mandatorily mapped to the employee ID of the user to fix accountability of the activities carried-out under the generic ID.

(ii) Provide for two-factor or higher level of authentication for the users of the application.

(iii) Restrict the access to the System on 'need to have / least privilege' basis for all users.

(iv) Provide for maker checker authorisation / control for transactions (an illustrative list of transactions includes updating/modifying the internal accounts, customer accounts, parameters – both financial and non-financial that affect the status of the credit portfolio / loan / asset) entered in the solution. This shall also include transactions / activities carried out by administrator accounts in the System. (For



example: activities such as create / update / modify user-IDs, roles, privileges including access rights to various modules; system related activities including updates to master data, etc. should have at least two individuals to complete the activity).

(3) Straight Through Processing (STP): Provide for STP and support for STP integration with all critical systems / add-on sub-systems / modules etc., in a seamless and secure manner for NPA / NPI classification as per these Directions. Such STP mechanism shall seamlessly take into account all the facilities availed by a given customer (in case of loans and advances) and all the instruments of an entity (where bank has made investments in an entity), maintained across multiple systems of the bank without any manual intervention. Further, a bank shall also ensure that the updated account status, including asset classification of the customer accounts, flow to the CBS automatically, if NPA classification process is performed outside CBS.

(4) Back-end Data Access Restriction

(i) Any changes to the data, parameters from backend shall be avoided. The System should provide for changes to the data items only through front end (from the application (eg: CBS) itself and not through the back-end database update) after requisite authorisation. Audit trails / logs of access, changes to any data, parameters, if any, should be captured with specific user details in the system.

(ii) In case of exceptions in rare circumstances, such changes shall be duly approved at an appropriate level and documented. Provision for MIS report should be available to auditors to generate complete list of back-end access and changes made.

(5) Audit Logs

(i) Provisions of audit trails / logs to capture details of mandatory fields (that are essential to complete the transaction and essential to identify the transaction for audit / forensic purpose in the future) of all the transactions (financial and non-financial) shall be made.

(ii) Logs shall be maintained for changing the master data. System generated activity logs of the users with administrative privileges shall also be maintained.

(iii) Secure storage and retention of logs in encrypted format with access controls in an archival solution.



(6) System Generated NPAs: All parameters required for NPA / NPI identification shall be captured in the CBS or associated sub-system(s) / module(s) meant for NPA / NPI identification / classification of asset codes as per these Directions. It should provide for separate MIS report capturing all parameters for NPA / NPI identification. Such parameters could either be configured in database or application itself as per the architecture of the solution / sub-system.

(7) Test Environment: The existing test environment in the bank with dummy data and functional logic similar to that of the product environment of the solution shall be made available to the supervisors during their onsite supervisory visit(s) as per the requirements. This shall be required, inter alia, to perform sample transactions review to assess whether the solution adheres in complying with regulatory prescriptions in the extant environment for NPA / NPI identification as per applicability.

6. A bank shall draw up their standard operating procedure (SOP) for System based NPA/NPI classification for usage by the operating staff.



Annex 4

Table 1: Credit quality of Financial Instruments

1.A Credit quality of Loan Assets that fall under the list of assets specified in paragraph 17

Particulars	(Amounts in ₹ crore)									
	As on March 31, Current Year					As on March 31, Previous Year				
	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 61–90 days										
Past due 90 days										
Gross Carrying Amount										
Impairment loss allowance										
Net 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										
Gross Carrying Amount										
Impairment loss allowance										
Net Carrying amount										



1.B Credit quality of Investment assets that fall under the list of assets specified in paragraph 17

Particulars	(Amounts in ₹ crore)									
	As on March 31, Current Year					As on March 31, Previous year				
	Stage 1	Stage 2	Stage 3	Purchased or Originated Credit Impaired (POCI)	Total	Stage 1	Stage 2	Stage 3	Purchased or Originated Credit Impaired (POCI)	Total
Investment										
Investment type 1										
Sovereign rated										
Rating Grade 1										
Rating Grade 2										
Rating Grade 3										
Rating Grade x										
Gross Carrying Amount										
Impairment loss allowance										
Net Carrying amount										
Investment type 2										
Sovereign rated										
Rating Grade 1										
Rating Grade 2										
Rating Grade 3										
Rating Grade x										
Gross Carrying Amount										
Impairment loss allowance										
Net Carrying amount										



1.C Credit quality of Loan commitments and financial guarantees that fall under the list of assets specified in paragraph 17

(Amounts in ₹ crore)										
Particulars	As on March 31, Current Year					As on March 31, Previous Year				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Notional 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										



Table 2: Summary of Loan assets

(Amounts in ₹ crore)										
Particulars	Current Year					Previous Year				
	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 Reconciliation of the opening balance with the closing balance of the 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, Year before Previous Year	-		-	-	-	-		
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 Previous Year	-		-	-	-	-		
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 current Year	-		-	-	-	-		



3.B Reconciliation of the opening balance with the closing balance of the Loss allowance for Investments

(Amounts in ₹ crore)										
Investments	Stage 1		Stage 2		Stage 3		POCI		Total	
	Gross amount	ECL loss allowance	Gross amount	ECL loss allowance	Gross amount	ECL loss allowance	Gross amount	ECL loss allowance	Gross amount	ECL loss allowance
Balance as on April 1, the Year before Previous Year	-		-		-		-		-	
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, Previous Year	-		-		-		-		-	
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, Current Year	-		-		-		-		-	



3.C Reconciliation of the opening balance with the closing balance of the loss allowance for Loan Commitments

(Amounts in ₹ crore)					
Loan commitments	Stage 1	Stage 2	Stage 3	POCI	Total
Balance as on April 1, The year before previous Year	-	-	-	-	-
Net remeasurement of loss allowance					
New loan commitments	-	-	-	-	-
Balance as on March 31, Previous Year	-	-	-	-	-
Net remeasurement of loss allowance	-	-	-	-	-
New loan commitments	-	-	-	-	-
Balance as on March 31, Current Year	-	-	-	-	-



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

(Amounts in ₹ crore)					
Financial Guarantee Contracts	Stage 1	Stage 2	Stage 3	POCI	Total
Balance as on April 1, The year before previous Year	-	-	-	-	-
Net remeasurement of loss allowance					
New financial Guarantees	-	-	-	-	-
Balance as on March 31, Previous Year	-	-	-	-	-
Net remeasurement of loss allowance	-	-	-	-	-
New financial Guarantees	-	-	-	-	-
Balance as on March 31, Current Year	-	-	-	-	-

3.E Reconciliation of the opening balance with the closing balance of the loss allowance for other financial instruments

(Amounts in ₹ crore)					
Others	Stage 1	Stage 2	Stage 3	POCI	Total
Balance as on April 1, The year before previous Year	-	-	-	-	-
Net remeasurement of loss allowance					
New financial instruments originated	-	-	-	-	-
Balance as on March 31, Previous Year	-	-	-	-	-
Net remeasurement of loss allowance	-	-	-	-	-
New financial instruments originated	-	-	-	-	-
Balance as on March 31, Current Year	-	-	-	-	-



Table 4: Approach for ECL (to be submitted to RBI quarterly)

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.

Financial Instrument*	Brief of the product Category	PD-TTC		LGD
		Stage 1	Stage 2	

*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, Current Year	Indicator 1	Indicator 2	Indicator 3	Indicator 4
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)

Particulars	As of March 31, Current Year		As of March 31, Previous Year	
	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)

Loan Product Category	Forward-looking PD			LGD
	Stage 1	Stage 2	Stage 3	

Table 8: SICR Criteria (to be submitted to RBI only)

Loan Product Category ¹²	Internal Loan Product ¹³	SICR Criteria	Segmentation Criteria	Number of Segments

¹² Banks shall provide the information for all “Loan Product Categories” listed in paragraph 82.

¹³ Banks’s for each Internal Loan Product that fall into the “Loan Product Category, the information needs to be provided.



Table 9: Reconciliation of opening reserves (to be submitted to RBI by June 30, 2027)

Opening retained earnings under extant norms as at April 1, 2027	XXX
Add: Effect of Transitional adjustments	XXX
Adjusted Opening retained earnings under as at April 1, 2027	XXX
Transitional adjustments:	
Stage 1 adjustment	XXX
Stage 2 adjustment	XXX
Stage 3 adjustment	XXX
	XXXX



Table 10: Details of Gross Advances, Gross NPAs, Net Advances and Net NPAs

Part A

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	
	(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)}	
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

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.83./21. 04.048/2025-26	28/11/20 25	Reserve Bank of India (Commercial Banks – Income Recognition, Asset Classification and Provisioning) Directions, 2025 (Updated as on January 01, 2026)