



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
www.rbi.org.in

RBI 2009-10/168

DBOD.No.BP.BC. 46 /21.04.048/2009-10

September 24, 2009

The Chairman and Managing Directors / Chief Executive officers
All Scheduled Commercial Banks (including Local Area Banks)
(Excluding RRBs)

Dear Sir,

Prudential Norms on Income Recognition, Asset Classification, and Provisioning pertaining to Advances – Computation of NPA Levels

Please refer to paragraphs 3.2, 3.4, and 3.5 of our Master Circular [DBOD.No. BP.BC. 17/21.04.048/2009-10](#) dated July 1, 2009 on the captioned subject.

2. It has been observed that banks follow different methods to compute and report Gross and Net Advances, and Gross and Net NPAs. While, on an account turning NPA, some banks reverse the interest already charged, and stop further interest application, others prefer to make provisions in lieu of interest already credited to Profit and Loss account, and continue to debit interest, though it is credited to Interest Suspense account instead of to Profit and Loss account. While all the aforesaid methods in substance are the same, there is a need for uniformity across banks in reporting of Advances and NPAs, so as to avoid any scope for different interpretations by the auditors/public, as also to improve the comparability of Advances position of banks.

3. Therefore, in consultation with Indian Banks' Association, it has been decided that:

- a. On an account turning NPA, banks should reverse the interest already charged and not collected by debiting Profit and Loss account, and stop further application of interest. However, banks may continue to record such accrued interest in a Memorandum account in their books, as is the practice currently followed by some banks.
 - b. For the purpose of computing Gross Advances, interest recorded in the Memorandum account should not be taken into account.
4. Banks are, therefore, advised to compute their Gross Advances, Net Advances, Gross NPAs and Net NPAs, as per the annexed format with immediate effect.

Yours faithfully

(B. Mahapatra)
Chief General Manager

PART A

Details of Gross Advances, Gross NPAs, Net Advances and Net NPAs

(Rs. in crores up to two decimals)

	Particulars	Amount
1.	Standard Advances	
2.	Gross NPAs *	
3.	Gross Advances ** (1+2)	
4.	Gross NPAs as a percentage of Gross Advances (2/3) (in %)	
5.	Deductions	
(i)	Provisions held in the case of NPA Accounts as per asset classification (including additional Provisions for NPAs at higher than prescribed rates).	
(ii)	DICGC/ECGC claims received and held pending adjustment	
(iii)	Part payment received and kept in Suspense Account or any other similar account	
(iv)	Balance in Sundries Account (Interest Capitalization – Restructured Accounts), in respect of NPA Accounts	
(v)	Floating Provisions***	
(vi)	Provisions in lieu of diminution in the fair value of restructured accounts classified as NPAs	
(vii)	Provisions in lieu of diminution in the fair value of restructured accounts classified as standard assets	
6.	Net Advances(3-5)	
7.	Net NPAs { 2 - 5(i + ii + iii + iv + v +vi)}	
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 Capitalization – Restructured Accounts), in respect of NPA Accounts.

** For the purpose of this Statement, 'Gross Advances' mean all outstanding loans and advances including advances for which refinance has been received but excluding rediscounted bills, and advances written off at Head Office level (Technical write off).

*** Floating Provisions would be deducted while calculating Net NPAs, to the extent, banks have exercised this option, over utilising it towards Tier II capital.

PART B

Supplementary Details

(Rs. in crores up to two decimals)

	Particulars	Amount
1.	Provisions on Standard Assets excluding 5(vi) in Part A above	
2.	Interest recorded as Memorandum Item	
3.	Amount of cumulative Technical Write – Off in respect of NPA accounts reported in Part A above	