



भारतीय रिजर्व बैंक  
**RESERVE BANK OF INDIA**  
[www.rbi.org.in](http://www.rbi.org.in)

RBI/2016-17/283

DBR.BP.BC.No.63/21.04.018/2016-17

April 18, 2017

All Commercial Banks  
(Excluding Regional Rural Banks)

Madam/Dear Sir,

**Disclosure in the “Notes to Accounts” to the Financial Statements- Divergence in the asset classification and provisioning**

Please refer to paragraph 22 of the Fourth Bi-monthly Monetary Policy Statement, 2015-16 announced on September 29, 2015 on the captioned subject (extract enclosed).

2. The Reserve Bank of India (RBI) assesses compliance by banks with extant prudential norms on income recognition, asset classification and provisioning (IRACP) as part of its supervisory processes. There have been instances of material divergences in banks' asset classification and provisioning from the RBI norms, thereby leading to the published financial statements not depicting a true and fair view of the financial position of the bank.

3. In order to ensure greater transparency and promote better discipline with respect to compliance with IRACP norms, it has been decided that banks shall make suitable disclosures as per Annex, wherever either (a) the additional provisioning requirements assessed by RBI exceed 15 percent of the published net profits after tax for the reference period or (b) the additional Gross NPAs identified by RBI exceed 15 percent of the published incremental Gross NPAs<sup>1</sup> for the reference period, or both.

4. The disclosures, as above, shall be made in the Notes to Accounts in the ensuing Annual Financial Statements published immediately following communication of such divergence by RBI to the bank.

<sup>1</sup> Published incremental Gross NPAs shall be as per para 3.4.1 (ii) (b) of the Master Circular reference no [DBR.BP.BC No.23/21.04.018/2015-16 dated July 1, 2015](#) on Disclosure in Financial Statements – 'Notes to Accounts'.



5. The disclosures in the Notes to Accounts to the Annual Financial Statements may be included under the sub-head Asset Quality (Non-Performing Assets) as referred to in paragraph 3.4 of Master Circular - Disclosure in Financial Statements - Notes to Accounts Ref. [DBR.BP.BC No.23 /21.04.018/2015-16 dated July 1, 2015](#).

6. The first such disclosure with respect to the divergences observed by RBI for the financial year 2015-16 shall be made in the Notes to Accounts of Financial Statements for the year ended March 31, 2017.

7. These instructions are issued under the provisions of Section 35A of the Banking Regulation Act, 1949. It may be noted that any contravention / non-compliance of the above instructions shall attract penalties under the Act, *ibid*.

Yours faithfully,

(S.S.Barik)  
Chief General Manager-in-Charge



**Annex**

**Divergence in Asset Classification and Provisioning for NPAs – (ref DBR.BP.BC.No. 63/21.04.018/2016-17 dated April 18, 2017)**

(Rs in thousands)

<b>Sr.</b>	<b>Particulars</b>	<b>Amount</b>
1.	Gross NPAs as on March 31, 20XX* as reported by the bank	
2.	Gross NPAs as on March 31, 20XX as assessed by RBI	
3.	Divergence in Gross NPAs (2-1)	
4.	Net NPAs as on March 31, 20XX as reported by the bank	
5.	Net NPAs as on March 31, 20XX as assessed by RBI	
6.	Divergence in Net NPAs (5-4)	
7.	Provisions for NPAs as on March 31, 20XX as reported by the bank	
8.	Provisions for NPAs as on March 31, 20XX as assessed by RBI	
9.	Divergence in provisioning (8-7)	
10.	Reported Net Profit after Tax (PAT) for the year ended March 31, 20XX	
11.	Adjusted (notional) Net Profit after Tax (PAT) for the year ended March 31, 20XX after taking into account the divergence in provisioning	

\* March 31, 20XX is the close of the reference period in respect of which divergences were assessed



**Extract of  
Fourth Bi-monthly Monetary Policy Statement, 2015-16 dated September 29, 2015**

22. As a part of its supervisory process, the Reserve Bank assesses compliance by banks with extant prudential norms on income recognition, asset classification and provisioning (IRACP). There have been divergences between banks and the supervisor as regards asset classification and provisioning. In order to bring in greater transparency, better discipline with respect to compliance with IRACP norms as well as to involve other stakeholders, the Reserve Bank will mandate disclosures in the notes to accounts to the financial statements of banks where such divergences exceed a specified threshold. Instructions in this regard are being issued separately.