Annexure II

Part A
<u>Notes and instructions for compilation</u>

Balance Sheet

Item	Sch.		Coverage	Notes and instructions for compilation
Capital	1		Nationalised Banks Capital (Fully owned by Central Government)	The capital owned by Central Government as on the date of the balance-sheet including contribution from Government, if any, for participating in World Bank projects shall be shown.
			Banks incorporated outside India: Capital	The amount brought in by banks by way of start-up capital as prescribed by RBI should be shown under this head. The amount of deposit kept with RBI, under sub-section 2 of section 11 of the Banking Regulation Act, 1949 ('B R Act') should also be shown. The amount held under section 11(2)(b)(i) of the B R Act and earmarked as Credit Risk Mitigation (CRM) shall be disclosed by way of a note in Schedule 1: Capital to the Balance Sheet as given below: *"An amount of ₹… (Previous year: ₹….) out of the amount held as deposit under Section 11(2) of the Banking Regulation Act, 1949 has been designated as credit risk mitigation (CRM) for offsetting of non-centrally cleared derivative exposures to Head Office (including overseas branches), and is not reckoned for regulatory capital and any other statutory requirements."*
			Other Banks (Indian) Authorised Capital (__ shares of Rs. ___ each) Issued Capital (__ shares of Rs. ___ each) Subscribed Capital (__ shares of Rs. ___ each)	Authorised, Issued, Subscribed, Called-up capital shall be given separately. Calls in arrears will be deducted from Called-up capital while the paid-up value of forfeited shares shall be added thus arriving at the paid-up capital. Where necessary, items which can be combined shall be shown under one head, for instance 'Issued and Subscribed Capital'. <u>*Notes - General:*</u>

Item	Sch.		Coverage	Notes and instructions for compilation
			Called up Capital (__ shares of Rs. ___ each) Less: Calls unpaid Add: Forfeited shares Paid up Capital	1. The changes in the above items, if any, during the year, say, fresh contribution made by Government, fresh issue of capital, capitalisation of reserves, etc. shall be explained in the notes. 2. Perpetual Non-Cumulative Preference Shares (PNCPS) included as part of Tier 1 regulatory capital shall be included here.
Reserves and Surplus	2	(I)	Statutory Reserves	Reserves created out of the profits in compliance with section 17(1), 11(2)(b)(ii) (read with paragraph 17 of Chapter VI of this Master Direction) or any other section of the Banking Regulation Act, 1949 shall be separately disclosed.
		(II)	Capital Reserves	The expression 'Capital Reserves' shall not include any amount regarded as free for distribution through the Profit and Loss Account. Surplus on revaluation shall be treated as Capital Reserves. Surplus on translation of the financial statements of overseas branches (which includes fixed assets also) is not a revaluation reserve.
		(III)	Share Premium	Premium on issue of share capital shall be shown separately under this head.
		(IV)	Revenue and Other Reserves	The expression 'Revenue Reserve' shall mean any reserve other than Capital Reserve. This item will include all reserves, other than those separately classified. The expression 'reserve' shall not include any amount retained by way of providing for depreciation, renewals or diminution in value of assets or retained by way of providing for any known liability. Investment Reserve Account and Investment Fluctuation Reserve shall be shown under this head.
		(V)	Balance in Profit and Loss Account	Includes balance of profit after appropriations. In case of loss the balance shall be shown as a deduction. *Notes - General:* Movements in various categories of reserves shall be shown as indicated in the schedule.

Item	Sch.		Coverage	Notes and instructions for compilation
Deposits	3	A.I)	Demand Deposits	
		(i)	From banks	Includes all bank deposits repayable on demand.
		(ii)	From others	Includes all demand deposits of the non-bank sectors. Credit balances in overdrafts, cash credit accounts, deposits payable at call, overdue deposits, inoperative current accounts, matured time deposits, cash certificates and certificates of deposits, etc. shall be included under this category.
		(II)	Savings Bank Deposits	Includes all savings bank deposits (including inoperative savings bank accounts)
		(III)	Term Deposits	
		(i)	From banks	Includes all types of bank deposits repayable after a specified term.
		(ii)	From others	Includes all types of deposits of the non-bank sector repayable after a specified term. Fixed deposits, cumulative and recurring deposits, cash certificates, certificates of deposits, annuity deposits, deposits mobilised under various schemes, ordinary staff deposits, foreign currency non-resident deposits accounts, etc. shall be included under this category.
		B. i) ii)	Deposits of branches in India Deposits of branches outside India	The total of these two items should match the total deposits shown in the balance sheet. *Notes - General:* 1. Interest payable on deposits which is accrued but not due shall not be included but shown under other liabilities. 2. Matured term deposits shall be treated as demand deposits. 3. Deposits under special schemes shall be included under term deposits if they are not payable on demand. When such deposits have matured for payment, they shall be shown under demand deposits.

Item	Sch.		Coverage	Notes and instructions for compilation
				4. Deposits from banks will include deposits from the banking system in India, Co-operative banks, Foreign banks which may or may not have a presence in India.
Borrowings	4	(I)	Borrowings in India	
		(i)	Reserve Bank of India	Includes repo, other borrowings or refinance obtained from Reserve Bank of India.
		(ii)	Other banks	Includes repo, other borrowings or refinance obtained from banks (including Co-operative banks) and balances in Repo Account.
		(iii)	Other institutions and agencies	Includes borrowing/refinance obtained from Export-Import Bank of India, NABARD and other institutions, agencies (including liability against participation certificates-without risk sharing, if any) and balances in Repo Account.
		(II)	Borrowings outside India	Includes borrowings of Indian branches from outside India as well as borrowings of foreign branches.
			Secured borrowings included in above	This item shall be shown separately. Includes secured borrowings/refinance in India and outside India.
				Notes - General: 1. The total of I and II should match the total borrowings shown in the balance sheet. 2. Inter-office transactions shall not be shown as borrowings. 3. Funds raised by foreign branches by way of certificates of deposits, notes, bonds, etc. shall be classified depending upon documentation, as ‘deposits’, ‘borrowings’, etc. 4. Refinance obtained by banks from Reserve Bank of India and various institutions shall be shown under the head ‘Borrowings’. Accordingly, advances shall be shown at the gross amount on the asset side. 5. The following shall be included here: a) Perpetual Debt Instruments

Item	Sch.		Coverage	Notes and instructions for compilation
				b) Tier 2 Capital Instruments / Upper Tier 2 Capital Instruments c) Perpetual Cumulative Preference Shares (PCPS) d) Redeemable Non-Cumulative Preference Shares (RNCPS) e) Redeemable Cumulative Preference Shares (RCPS) f) Subordinated Debt.
Other Liabilities and Provisions	5	(I)	Bills Payable	Includes drafts, telegraphic transfers, traveller's cheques, mail transfers payable, pay slips, bankers cheques and other miscellaneous items.
		(II)	Inter-office adjustments (net)	The inter-office adjustments balance, if in credit, shall be shown under this head. The bank should first segregate the credit entries outstanding for more than 5 years in the inter-branch account and transfer them to a separate Blocked Account which should be shown under 'Other Liabilities and Provisions - Others'. While arriving at the net amount of inter-branch transactions for inclusion here, or Schedule 11, as the case may be, the aggregate amount of Blocked Account should be excluded and only the amount representing the remaining credit entries should be netted against debit entries. Only net position of inter-office accounts, inland as well as foreign, shall be shown here.
		(III)	Interest accrued	Includes interest accrued but not due on deposits and borrowings.
		(IV)	Others (including provisions)	Includes net provision for income tax and other taxes like interest tax (less advance payment, tax deducted at source, etc.), deferred tax (if after netting as per AS-22 is a liability), floating provisions, contingency funds which are not disclosed as reserves but are actually in the nature of reserves, other liabilities which are not disclosed under any of the major heads such as unclaimed dividend, provisions and funds kept for specific purposes, unexpired discount, outstanding charges like rent, conveyance, etc. Certain types of

Item	Sch.		Coverage	Notes and instructions for compilation
				deposits like staff security deposits, margin deposits, etc. where the repayment is not free, shall also be included under this head. Aggregate Net Credit in the Clearing Differences transferred to a separate Blocked Account shall be shown here. Outstanding credit entries in nostro accounts transferred to Blocked Account shall also be shown here. *Notes - General:* 1. For arriving at the net balance of inter-office adjustments all connected inter-office accounts shall be aggregated and the net balance only will be shown, representing mostly items in transit and unadjusted items. 2. The interest accruing on all deposits, whether the payment is due or not, shall be treated as a liability. 3. It is proposed to show only deposits under the head 'deposits' and hence all surplus provisions for bad and doubtful debts, contingency funds, etc. which are not netted off against the relative assets, shall be brought under the head 'Others (including provisions)'. 4. Provisions towards Standard Assets shall not be netted from gross advances and shown separately as 'Provisions against Standard Assets' under 'Others' in Schedule 5 of the Balance Sheet.
ASSETS				
Cash and balances with the Reserve Bank of India	6	(I)	Cash in hand (including foreign currency notes)	Includes cash in hand including foreign currency notes and also of foreign branches in the case of banks having such branches.
		(II)	Balances with Reserve Bank of India (i) in Current Account (ii) in Other Accounts	All type of reverse repos with the Reserve Bank including those under Liquidity Adjustment Facility shall be presented under sub-item (ii) 'in Other Accounts'.

Item	Sch.		Coverage	Notes and instructions for compilation
Balances with banks and money at call and short notice	7	(I) (i) (a) (b)	In India Balances with banks in Current Accounts in Other Deposit Accounts	Includes all balances with banks in India (including Co-operative banks), except Money at Call and Short Notice as explained below. Balances in current account and other deposit accounts shall be shown separately.
		(ii) (a) (b)	Money at Call and Short notice with banks with other institutions	Includes the following if they are for original tenors up to and inclusive of 14 days: (i) Money lent in the call/notice money market (ii) Reverse Repo with banks and other institutions The balances in Reverse Repo A/c shall be classified under Schedule 7 under item I (ii) a or I (ii) b as appropriate.
		(II) (i) (ii) (iii)	Outside India in Current Accounts in Other Deposit Accounts Money at Call and Short Notice	Includes balances: (i) held by foreign branches of the bank; and (ii) held outside India by the Indian branches of the bank. Balances held by Indian branches of the bank with its foreign branches shall not be shown under this head. Instead, such balances shall be included in inter-branch accounts. The amounts held in 'current accounts' and 'deposit accounts' shall be shown separately. 'Money at Call and Short Notice' outside India includes deposits usually classified as per that foreign jurisdiction's laws, regulations, or market practices as money at call and short notice where such money is lent.
Investments	8	(I)	Investments in India in	
		(i)	Government securities	Includes Central and State Government Securities and Government Treasury Bills.
		(ii)	Other Approved Securities	Securities other than Government Securities, which have been specified by the Reserve Bank as 'approved

Item	Sch.		Coverage	Notes and instructions for compilation
				securities' under section 5(a) of the Banking Regulation Act, 1949 shall be included here.
		(iii)	Shares	Investments in shares of companies and corporations not included in item (ii) shall be included here.
		(iv)	Debentures and Bonds	Investments in debentures[5] and bonds of companies and corporations not included in item (ii) shall be included here.
		(v)	Subsidiaries and/or Joint Ventures	Investments in subsidiaries and joint ventures (including RRBs) shall be included here.
		(vi)	Others	Residual investments, if any, like mutual funds, gold, etc.
		(II)	Investments outside India	
		(i)	Government Securities (including local authorities)	All foreign Government Securities including securities issued by local authorities shall be classified under this head.
		(ii)	Subsidiaries and/or Joint ventures abroad	All investments made in the share capital of subsidiaries floated outside India and/or joint ventures abroad shall be classified under this head.
		(iii)	Others investments	All other investments outside India shall be shown under this head.
Advances	9	A.(i)	Bills purchased and discounted	In classification under section A, all outstanding advances in India as well as outside India net of provisions made, will be classified under three heads as indicated and shall include both secured and unsecured advances as well as overdue instalments. Receivables acquired under factoring shall be reported under *"Bills purchased and Discounted"*.
		(ii)	Cash credits, overdrafts and loans repayable on demand	All loans repayable on demand and short-term loans with original maturity up to one year shall be classified under *"Cash credits, overdrafts and loans repayable on demand"*. Outstanding balances on credit cards shall be included under this category. Other balances pertaining

[5] As defined by the Companies Act, 2013

Item	Sch.		Coverage	Notes and instructions for compilation
				to credit operations, even if they are dues from other banks/ organisations shall be shown as part of advances. However, where such dues are in the nature of fee or other revenue receivable the same may be shown as Other Assets.
		(iii)	Term loans	A 'Term Loan' is a loan which has a specified maturity and is payable in instalments or in bullet form. All Term Loans with maturity in excess of one year shall be classified under this category(i.e. A(iii)) whereas as explained above short term loans with original maturity up to one year shall be categorised as loans repayable on demand.
		B.(i)	Secured by tangible assets	All advances or part of advances including advances against book debts which are secured by tangible assets shall be shown here. The item will include secured advances both in and outside India. The Bank shall specify that advances secured by tangible assets includes advances against book debts.
		(ii)	Covered by Bank/Government Guarantee	Advances in India and outside India to the extent they are covered by guarantees of Indian/foreign governments, Indian/foreign banks, Deposit Insurance and Credit Guarantee Corporation (DICGC) and Export Credit Guarantee Corporation of India (ECGC) shall be included here.
		(iii)	Unsecured	All advances not classified under (i) and (ii) shall be included here. Rights, licenses, authorisations, etc. charged to the banks as collateral should not be reckoned as tangible security and therefore such advances shall be reckoned as unsecured under this head, with a disclosure of the same in the notes to the account. Total of 'A' should tally with total of 'B'.
		C. **(I)** (i) (ii)	 **Advances in India** Priority Sectors Public Sector	 Advances shall be broadly classified into 'Advances in India' and 'Advances outside India'. Advances in India will be further classified on the sectoral basis as indicated.

Item	Sch.		Coverage	Notes and instructions for compilation
		(iii) (iv) **(II)** (i) (ii) (iii) (iv) (v)	Banks Others **Advances outside India** Due from banks Due from others Bills purchased and discounted Syndicated loans Others	Advances, which qualify as priority sector lending according to extant Reserve Bank of India instructions are to be classified under the head 'Priority Sectors'. Such advances shall be excluded from item (ii) i.e. advances to public sector. Advances to Central/ State Governments and other Government undertakings including Government Companies and statutory corporations shall be included in the category "Public Sector". All advances to the banking sector including Co-operative Banks shall come under the head 'Banks'. All the remaining advances will be included under the head 'Others' and typically this category will include non-priority sector advances to the private, joint and co-operative sectors. Notes - General: 1. Advances shall be reported net of provisions made thereon (other than provisions towards Standard Assets). To the extent that Floating provisions have not been treated as Tier 2 capital, they shall also be netted off from advances. 2. Term loans reported shall not include loans repayable on demand. 3. Consortium advances shall be reported net of share of other participating banks/ institutions. 4. All interest-bearing loans and advances granted to bank's own staff shall be included here. 5. Advances to other banks / organisations shall be included here. 6. Interest accrued but not due should not be reflected here. Instead, it shall be shown under "Interest accrued" in other assets. 7. Rights, licenses, authorisations, etc. charged to the banks as security/collateral in respect of projects

Item	Sch.		Coverage	Notes and instructions for compilation
				(including infrastructure projects) financed by them, shall not be reckoned as tangible security. Such advances shall be reckoned as unsecured. 8. Partial credit enhancement facilities to the extent drawn shall be treated as an advance. 9. The aggregate amount of inter- bank participations with risk sharing would be reduced from the aggregate advances outstanding by issuing bank. Participating banks shall show the amount of inter-bank participations under advances. Where the participation is without risk sharing, it shall be reflected by the participating bank as due from Banks under Schedule 9. 10. Reverse Repo with banks and other institutions having original tenors more than 14 days shall be shown under this Schedule under following head: i. A.(ii) 'Cash credits, overdrafts and loans repayable on demand'' ii. B.(i) 'Secured by tangible assets' iii. C.(I).(iii) Banks (iv) 'Others' (as the case may be)
Fixed Assets	10	(I) (i) (ii) (iii) (iv)	Premises At cost as on 31st March of the preceding year Additions during the year Deductions during the year Depreciation to date	Premises, including land, wholly or partly owned by the bank for the purpose of business including residential premises shall be shown against 'Premises'. In the case of premises and other fixed assets, the previous balance, additions thereto and deductions therefrom during the year as also the total depreciation written off shall be shown.
		(II) (i) (ii)	Other Fixed Assets (including furniture and fixtures) At cost as on 31st March of the preceding year Additions during the year	Furniture and fixtures, vehicles and all other fixed assets shall be shown under this head.

Item	Sch.		Coverage	Notes and instructions for compilation
		(iii)	Deductions during the year	
		(iv)	Depreciation to date	
Other Assets	11	(I)	Inter-office adjustments (net)	The inter-office adjustments balance, if in debit, shall be shown under this head. Only net position of inter-office accounts, inland as well as foreign, shall be shown here. For arriving at the net balance of inter-office adjustment accounts, all connected inter-office accounts shall be aggregated and the net balance, if in debit only shall be shown representing mostly items in transit and unadjusted items.
		(II)	Interest accrued	Interest accrued but not due on investments and advances and interest due but not collected on investments will be the main components of this item. As banks normally debit the borrowers' account with interest due on the balance sheet date, usually there may not be any amount of interest due on advances. Only such interest as can be realised in the ordinary course shall be shown under this head.
		(III)	Tax paid in advance/tax deducted at source	The amount of advance tax paid, tax deducted at source (TDS), etc. to the extent that these items are not set off against relative tax provisions shall be shown against this item.
		(IV)	Stationery and stamps	Only exceptional items of expenditure on stationery like bulk purchase of security paper, loose leaf or other ledgers, etc. which are shown as quasi-asset to be written off over a period of time shall be shown here. The value shall be on a realistic basis and cost escalation shall not be taken into account, as these items are for internal use.
		(V)	Non-banking assets acquired in satisfaction of claims	Immovable properties/tangible assets acquired in satisfaction of claims are to be shown under this head.
		(VI)	Others	This will include items like claims which have not been met, for instance, clearing items, debit items representing addition to assets or reduction in liabilities which have not

Item	Sch.		Coverage	Notes and instructions for compilation
				been adjusted for technical reasons, want of particulars, etc. Accrued income other than interest shall also be included here. All non-interest-bearing loans and advances granted to the bank's staff shall be reported here. Cash Margin Deposit with The Clearing Corporation India Limited (CCIL) shall be shown here. Deposits placed with NABARD/SIDBI/NHB, etc. on account of shortfall in priority sector targets shall be included here. Banks shall also disclose the details of such deposits, both for the current year and previous year, as a footnote in Schedule 11 of the Balance Sheet.
Contingent Liabilities	12	(I)	Claims against the bank not acknowledged as debts	--
		(II)	Liability for partly paid investments	Liability on partly paid shares, debentures, etc. will be included in this head.
		(III)	Liability on account of outstanding forward exchange contracts	Outstanding forward exchange contracts shall be included here.
		(IV) (i) (ii)	Guarantees given on behalf of constituents In India Outside India	Guarantees given for constituents in India and outside India shall be shown separately.
		(V)	Acceptances, endorsements and other obligations	This item will include letters of credit and bills accepted by the bank on behalf of its customers.
		(VI)	Other items for which the bank is contingently liable	Arrears of cumulative dividends, bills rediscounted, commitments of underwriting contracts, estimated amount of contracts remaining to be executed on capital account and not provided for etc. are to be included here. All unclaimed liabilities (where amount due has been transferred to the Depositors Education and Awareness Fund established under the Depositor Education and Awareness Fund Scheme 2014) shall be shown here.

Item	Sch.		Coverage	Notes and instructions for compilation
				The undrawn partial credit enhancement facilities shall be shown here. When Issued ('WI') securities should be recorded in books as an off balance sheet item till issue of the security. The off balance sheet net position in the 'WI' market should be marked to market scrip-wise on daily basis at the day's closing price of the 'WI' security. In case the price of the 'WI' security is not available, the value of the underlying security determined as per extant regulations may be used instead. Depreciation, if any, should be provided for and appreciation, if any, should be ignored. On delivery, the underlying security may be classified in any of the three categories, viz; 'Held to Maturity', 'Available for Sale' or 'Held for Trading', depending upon the intent of holding, at the contracted price.
Bills for collection	--		--	Bills and other items in the course of collection and not adjusted will be shown against this item in the summary version only. No separate schedule is proposed.

Profit and Loss Account

Item	Sch.		Coverage	Notes and Instructions for compilation
Interest earned	13	(I)	Interest/discount on advances/bills	Includes interest and discount on all types of loans and advances like cash credit, demand loans, overdrafts, export loans, term loans, domestic and foreign bills purchased and discounted (including those rediscounted), overdue interest and interest subsidy, if any, relating to such advances/bills.
		(II)	Income on investments	Includes all income derived from the investment portfolio by way of interest and dividend. The amount of premium amortised in respect of HTM Securities shall be shown here as a deduction. The deduction need not be disclosed separately. The book value of the security shall continue to be reduced to the extent of the amount amortised during the relevant accounting period.
		(III)	Interest on balances with RBI and other Inter-bank funds	Includes interest on balances with Reserve Bank of India and other banks, call loans, money market placements, etc.
		(IV)	Others	Includes any other interest/ discount income not included in the above heads.
				Notes: General The balances in Reverse Repo Interest Income Account shall be classified under Schedule 13 (under item III or IV as appropriate).
Other Income	14	(I)	Commission, Exchange and Brokerage	Includes all remuneration on services such as commission on collections, commission/exchange on remittances and transfers, commission on letters of credit and bank guarantees, letting out of lockers, commission on Government business, commission on other permitted agency business including consultancy and other services, brokerage, etc. on securities. It does not include foreign exchange income.
		(II) (III)	Profit on sale of investments *Less:* Loss on sale of investments Profit on revaluation of investments	Includes profit/loss on sale of securities, furniture, land and building, motor vehicles, gold, silver, etc. Only the net position shall be shown. If the net position is a loss, the amount shall be shown as a deduction. The net profit/ loss on revaluation of assets as well as provision

Item	Sch.		Coverage	Notes and Instructions for compilation
		(IV)	*Less:* Loss on revaluation of investments Profit on sale of land, buildings and other assets *Less:* Loss on sale of land, buildings and other assets	for depreciation (or reversal of excess depreciation) shall also be shown under this item. Provision for non-performing investments (NPI) shall not be shown here and instead reflected under Provisions and Contingencies.
		(V)	Profit on exchange transactions Less: Loss on exchange transactions	Includes profit/loss on dealing in foreign exchange, all income earned by way of foreign exchange, commission and charges on foreign exchange transactions excluding interest which will be shown under interest head. Only the net position shall be shown. If the net position is a loss, it is to be shown as a deduction.
		(VI)	Income earned by way of dividend etc. from subsidiaries, companies, joint ventures abroad/in India	
		(VII)	Miscellaneous income	Includes recoveries from constituents for godown rents, income from bank's properties, security charges, insurance etc. and any other miscellaneous income. In case any item under this head exceeds one percent of the total income, particulars shall be given in the notes. The fee received from the sale of Priority Sector Lending Certificates (PSLCs) shall be shown here.
Interest expended	15	(I)	Interest on deposits	Includes interest paid on all types of deposits including deposits from banks and other institutions.
		(II)	Interest on RBI/inter-bank borrowings	Includes discount/interest on all borrowings and refinance from Reserve Bank of India and other banks.
		(III)	Others	Includes discount/interest on all borrowings/ refinance from financial institutions. All other payments like interest on participation certificates, penal interest paid, etc. shall also be included here.

Item	Sch.		Coverage	Notes and Instructions for compilation
				Notes :General 1. The balances in Repo Interest Expenditure Account shall be classified under Schedule 15 (under item II or III as appropriate). 2. While acquiring government and other approved securities, banks should not capitalise the broken period interest paid to seller as part of cost of the investment, but instead book it as an expense.
Operating Expenses	16	(I)	Payments to and provisions for employees	Includes staff salaries/wages, allowances, bonus, other staff benefits like provident fund, pension, gratuity, liveries to staff, leave fare concessions, staff welfare, medical allowance to staff, etc.
		(II)	Rent, taxes and lighting	Includes rent paid by the banks on buildings, municipal and other taxes paid (excluding income tax and interest tax), electricity and other similar charges and levies. House rent allowance and other similar payments to staff shall appear under the head 'Payments to and provisions for employees'.
		(III)	Printing and stationery	Includes books and forms and stationery items used by the bank and other printing charges which are not incurred by way of publicity expenditure.
		(IV)	Advertisement and publicity	Includes expenditure incurred by the bank for advertisement and publicity purposes including printing charges of publicity material.
		(V)	Depreciation on bank's property	Includes depreciation on bank's own property, cars and other vehicles, furniture, electric fittings, vaults, lifts, leasehold properties, non-banking assets, etc.
		(VI)	Directors' fees, allowances and expenses	Includes sitting fees, allowances and all other expenses incurred on behalf of directors. The daily allowance, hotel charges, conveyance charges, etc. which though in the nature of reimbursement of expenses incurred shall be included under this head. Similar expenses of Local Board members, committees of the Board, etc. shall also be included under this head.

Item	Sch.		Coverage	Notes and Instructions for compilation
		(VII)	Auditors' fees and expenses (including branch auditors' fees)	Includes the fees paid to the statutory auditors and branch auditors for professional services rendered and all expenses for performing their duties, even though they may be in the nature of reimbursement of expenses. If external auditors have been appointed by banks themselves for internal inspections and audits and other services, the expenses incurred in that context including fees should not be included under this head but shall be shown under 'other expenditure'.
		(VIII)	Law charges	All legal expenses and reimbursement of expenses incurred in connection with legal services shall be included here.
		(IX)	Postage, Telegrams, Telephones, etc.	Includes all postal charges like stamps, telephones, etc.
		(X)	Repairs and maintenance	Includes repairs to bank's property, their maintenance charges, etc.
		(XI)	Insurance	Includes insurance charges on bank's property, insurance premia paid to DICGC, etc. to the extent they are not recovered from the concerned parties.
		(XII)	Other expenditure	All expenses other than those not included in any of the other heads like licence fees, donations, subscriptions to papers, periodicals, entertainment expenses, travel expenses, etc. shall be included under this head. In case any particular item under this head exceeds one per cent of the total income, particulars shall be given in the notes. The fees paid for the purchase of the PSLCs shall be shown here.
Provisions and Contingencies				Includes all provisions made for bad and doubtful debts, provisions for taxation, provisions for non-performing investments, transfers to contingencies and other similar items.

Part B

Guidance on specific issues with respect to certain Accounting Standards

1. Accounting Standard 5 - Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies

The objective of this standard is to prescribe the classification and disclosure of certain items in the statement of profit and loss so that all enterprises prepare and present such a statement on a uniform basis. Accordingly, this Standard requires the classification and disclosure of extraordinary and prior period items, and the disclosure of certain items within profit or loss from ordinary activities. It also specifies the accounting treatment for changes in accounting estimates and the disclosures to be made in the financial statements regarding changes in accounting policies. Paragraph 4.3 of Preface to the Statements on Accounting Standards issued by the ICAI states that Accounting Standards are intended to apply only to items which are material. Since materiality is not objectively defined, it has been decided that all banks should ensure compliance with the provisions of the Accounting Standard in respect of any item of prior period income or prior period expenditure which exceeds one per cent of the total income/total expenditure of the bank if the income/expenditure is reckoned on a gross basis or one per cent of the net profit before taxes or net losses as the case may be if the income is reckoned net of costs. Since the format of the profit and loss accounts of banks prescribed in Form B under Third Schedule to the Banking Regulation Act, 1949 does not specifically provide for disclosure of the impact of prior period items on the current year's profit and loss, such disclosures, wherever warranted, may be made in the 'Notes on Accounts' to the balance sheet of banks.

2. Accounting Standard 9 – Revenue Recognition

Non-recognition of income by the banks in case of non-performing advances and non-performing investments, in compliance with the regulatory prescriptions of the Reserve Bank of India, shall not attract a qualification by the statutory auditors as this would be in conformity with provisions of the standard, as it recognizes postponement of recognition of revenue where collectability of the revenue is significantly uncertain.

3. Accounting Standard 11 - The Effects of Changes in Foreign Exchange Rates

AS 11 is applied in the context of the accounting for transactions in foreign currencies and in translating the financial statements of foreign operations. The issues that arise in this context have been identified and banks shall be guided by the following while complying with the provisions of the Standard:

(I) Classification of Integral and Non-integral Foreign Operations

Paragraph 17 of AS 11 states that the method used to translate the financial statements of a foreign operation depends on the way in which it is financed and operates in relation to the reporting enterprise. For this purpose, foreign operations are classified as either "integral foreign operations" or "non-integral foreign operations". The issue that arises here pertains to the classification of representative offices set up in foreign countries, foreign branches and off-shore banking units set up in India as "integral foreign operation" or "non-integral foreign operation".

Taking into consideration the operation of the foreign branches of Indian banks and the indicators listed in paragraph 20 of the standard, it is clarified that foreign branches of Indian banks, IFSC Banking Units (IBUs) and Offshore Banking Units (OBUs) set up in India by banks shall be classified as "non-integral foreign operations". Taking into consideration the operation of the representative offices of banks set up abroad and the explanation in paragraph 18 of the Standard, representative offices shall be classified as "integral foreign operations". These classifications are for the limited purpose of compliance with the Standard.

(II) Exchange rate for recording foreign currency transactions and translation of financial statements of non-integral foreign operation.

As per paragraphs 9 and 21 of the Standard, a foreign currency transaction shall be recorded by Indian branches and integral foreign operations, on initial recognition in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction. Further, paragraph 24(b) of the Standard states that income and expense items of non-integral foreign operations shall be translated at exchange rates at the dates of the transactions. Indian branches and integral foreign operations of banks may face difficulty in applying the exchange rate prevailing at the date of the transaction in respect of the items which are not being recorded in Indian Rupees or are currently being recorded using a notional exchange rate, due to their extensive branch network and volume of transactions. Banks may also face difficulty in translating income and expense items of a non-integral foreign operation by applying the exchange rates at the dates of the transactions.

Banks, which are in a position to apply the exchange rate prevailing on the date of the transaction for recording the foreign currency transactions at their Indian branches and integral foreign operations and for translating the income and expense items of non-integral foreign operations as required under AS 11 shall comply with the requirements. Banks, which have an extensive branch network, have a high volume of foreign currency transactions and are not fully equipped on the technology front shall be guided by the following:

a) Paragraph 10 of the Standard allows, for practical reasons, the use of a rate that approximates the actual rate at the date of the transaction The Standard also states that if exchange rates fluctuate significantly, the use of average rate for a period is unreliable. Since the enterprises are required to record the transactions at the date of the occurrence thereof, the weekly average closing rate of the preceding week can be used for recording the transactions occurring in the relevant week, if the same approximates the actual rate at the date of the transaction. In view of the practical difficulties which banks may have in applying the exchange rates at the dates of the transactions and since the Standard allows the use of a rate that approximates the actual rate at the date of the transaction, banks may use average rates as detailed below:

b) FEDAI publishes a weekly average closing rate at the end of each week and a quarterly average closing rate at the end of each quarter for various currencies.

c) In respect of Indian branches and integral foreign operations, those foreign currency transactions, which are currently not being recorded in Indian Rupees at the date of the transaction or are being recorded using a notional exchange rate shall now be recorded at the date of the transaction by using the weekly average closing rate of the preceding week, published by FEDAI, if the same approximates the actual rate at the date of the transaction.

d) Generally, Indian banks prepare the consolidated accounts for their domestic and foreign branches at quarterly or longer intervals. Hence, banks may use the quarterly average closing rate, published by FEDAI at the end of each quarter, for translating the income and expense items of non-integral foreign operations during the quarter.

e) If the weekly average closing rate of the preceding week does not approximate the actual rate at the date of the transaction, the closing rate at the date of the transaction shall be used. For this purpose, the weekly average closing rate of the preceding week would not be considered approximating the actual rate at the date of the transaction if the difference between (A) the weekly average closing rate of the preceding week and (B) the exchange rate prevailing at the date of the transaction, is more than three and a half percent of (B). In respect of non-integral foreign operations, if there are significant exchange fluctuations during the quarter, the income and expense items of non-integral foreign operations shall be translated by using the exchange rate at the date of the transaction instead of the quarterly average closing rate. For this purpose, the exchange rate fluctuation would be considered as significant, if the difference between the two rates is more than seven percent of the exchange rate prevailing at the date of the transaction.

f) Banks are encouraged to equip themselves to record the foreign currency transactions of Indian branches as well as integral foreign operations and translate the income as well as expense items of non-integral foreign operations at the exchange rate prevailing on the date of the transaction.

(III) Closing rate

Paragraph 7 of the Standard defines ‘Closing rate’ as the exchange rate at the balance sheet date. In order to ensure uniformity among banks, closing rate to be applied for the purposes of AS 11 (revised 2003) for the relevant accounting period would be the last closing spot rate of exchange announced by FEDAI for that accounting period.

(IV) Foreign Currency Translation Reserve (FCTR)

In the context of recognition of gains in profit and loss account from FCTR on repatriation of accumulated profits/retained earnings from overseas branch(es), it is clarified that the repatriation of accumulated profits shall not be considered as disposal or partial disposal of interest in non-integral foreign operations as per AS 11. Accordingly, banks shall not recognise in the profit and loss account the proportionate exchange gains or losses held in the foreign currency translation reserve on repatriation of profits from overseas operations.

4. Accounting Standard 17 – Segment Reporting

The indicative formats for disclosure under ‘AS 17 – Segment Reporting’ are as below:-

Format

Part A: Business segments

(Amount in ₹ crore)

Business Segments →	Treasury		Corporate / Wholesale Banking		Retail Banking		Other Banking Business		Total	
Particulars ↓	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Revenue										
Result										
Unallocated expenses										
Operating profit										
Income taxes										
Extraordinary profit / loss										
Net profit										

Business Segments →	Treasury		Corporate / Wholesale Banking		Retail Banking		Other Banking Business		Total	
Particulars ↓	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Other information:										
Segment assets										
Unallocated assets										
Total assets										
Segment liabilities										
Unallocated liabilities										
Total liabilities										

Note: No disclosure need be made in the shaded portion

Part B: Geographic segments

(Amount in ₹ crore)

	Domestic		International		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
(a) Revenue						
(b) Assets						

Note:

- *a) The business segment shall ordinarily be considered as the primary reporting format and geographical segment would be the secondary reporting format.*
- *b) The business segments will be 'Treasury', 'Corporate / Wholesale Banking', 'Retail Banking' and 'Other banking operations'.*
- *c) 'Domestic' and 'International' segments will be the geographic segments for disclosure.*
- *d) Banks shall adopt their own methods, on a reasonable and consistent basis, for allocation of expenditure among the segments.*
- *e) 'Treasury' shall include the entire investment portfolio.*
- *f) Retail Banking shall include exposures which fulfil the four criteria of orientation, product, granularity, and low value of individual exposures for retail exposures laid down in Master Directions on Basel III: Capital Regulations (modified from time to time). Individual housing loans will also form part of Retail Banking segment for the purpose of reporting under AS-17.*
- *g) Corporate / Wholesale Banking includes all advances to trusts, partnership firms, companies, and statutory bodies, which are not included under 'Retail Banking'.*
- *h) Other Banking Business includes all other banking operations not covered under 'Treasury, 'Wholesale Banking' and 'Retail Banking' segments. It shall also include all other residual operations such as para banking transactions/activities.*
- *i) Besides the above-mentioned segments, banks shall report additional segments within "Other Banking Business' which meet the quantitative criterion prescribed in the AS 17 for identifying reportable segments.*
- *j) Retail banking shall be sub-divided into (i) Digital Banking and (ii) Other Retail Banking segments. The business involving digital banking products acquired by Digital Banking Units (DBUs) or existing digital banking products would qualify to be clubbed under 'Digital Banking' Segment.*

5. Accounting Standard 18 – Related Party Disclosures

The manner of disclosures required by paragraphs 23 to 26 of AS 18 is illustrated as below. It may be noted that the format given below is merely illustrative in nature and is not exhaustive.

(Amount in ₹ crore)

Items/Related Party	Parent (as per ownership or control)	Subsidiaries	Associates/ Joint ventures	Key Management Personnel @	Relatives of Key Management Personnel	Total
Borrowings#						
Deposits#						
Placement of deposits#						
Advances#						
Investments#						
Non-funded commitments#						
Leasing/HP arrangements availed#						
Leasing/HP arrangements provided#						
Purchase of fixed assets						
Sale of fixed assets						
Interest paid						
Interest received						
Rendering of services*						
Receiving of services*						
Management contracts*						

@ Whole time directors of the Board and CEOs of the branches of foreign banks in India.
 # The outstanding at the year end and the maximum during the year are to be disclosed
** Contract services etc. and not services like remittance facilities, locker facilities etc.*

Note:

i) Related parties for a bank are its parent, subsidiary(ies), associates/ joint ventures, Key Management Personnel (KMP) and relatives of KMP. KMP are the whole-time directors for an Indian bank and the Chief Executive Officer (CEO) for a foreign bank having branches in India. Relatives of KMP would be on the lines indicated in section 45 S of the RBI Act, 1934

ii) The name and nature of related party relationship shall be disclosed, irrespective of whether there have been transactions, where control exists within the meaning of the Standard. Control would normally exist in case of parent-subsidiary relationship. The disclosures may be limited to aggregate for each of the above related party categories and would pertain to the year-end position as also the maximum position during the year.

iii) The Accounting Standards is applicable to all nationalised banks. The accounting standard exempts state-controlled enterprises i.e., nationalised banks from making any disclosures pertaining to their transactions with other related parties which are also state controlled enterprises. Thus, nationalised banks need not disclose their transactions with the subsidiaries as well as the RRBs sponsored by them. However, they will be required to disclose their transactions with other related parties.

iv) *Secrecy provisions: If in any of the above category of related parties there is only one related party entity, any disclosure would tantamount to infringement of customer confidentiality. In terms of AS 18, the disclosure requirements do not apply in circumstances when providing such disclosures would conflict with the reporting enterprise's duties of confidentiality as specifically required in terms of statute, by regulator or similar competent authority. Further, in case a statute or regulator governing an enterprise prohibits the enterprise from disclosing certain information, which is required to be disclosed, non-disclosure of such information would not be deemed as non-compliance with the Accounting Standards. On account of the judicially recognized common law duty of the banks to maintain the confidentiality of the customer details, they need not make such disclosures. In view of the above, where the disclosures under the Accounting Standards are not aggregated disclosures in respect of any category of related party i.e., where there is only one entity in any category of related party, banks need not disclose any details pertaining to that related party other than the relationship with that related party.*

6. Accounting Standard 23 – Accounting for Investments in Associates in CFS

This Accounting Standard sets out principles and procedures for recognizing, in the CFS, the effects of the investments in associates on the financial position and operating results of a group. The Standard requires that an investment in an associate shall be accounted for in CFS under the equity method subject to certain exceptions. The term associate is defined as an enterprise in which the investor has significant influence and which is neither a subsidiary nor a joint venture of the investor. Significant influence is the power to participate in the financial and/ or operating policy decisions of the investee but not control over those policies. Such an influence may be gained by share ownership, statute or agreement. As regards share ownership, if an investor holds, directly or indirectly through subsidiaries 20 per cent or more of the voting power of the investee, it is presumed that the investor has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the investor holds, directly or indirectly through subsidiaries less than 20 per cent of the voting power of the investee, it is presumed that the investor does not have significant influence, unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an investor from having significant influence.

The issue is whether conversion of debt into equity in an enterprise by a bank by virtue of which the bank holds more than 20 percent will result in an investor-associate relationship for the purpose of AS 23. From the above it is clear that though a bank may acquire more than 20 per cent of voting power in the borrower entity in satisfaction of its advances it may be able to demonstrate that it does not have the power to exercise significant influence since the rights exercised by it are protective in nature and not participative. In such a circumstance, such investment may not be treated as investment in associate under this Accounting Standard. Hence the test shall not be merely the proportion of investment but the intention to acquire the power to exercise significant influence.

7. Accounting Standard 24 - Discontinuing operations

This Standard establishes principles for reporting information about discontinuing operations. Merger/ closure of branches of banks by transferring the assets/ liabilities to the other branches of the same bank may not be deemed as a discontinuing operation and hence this Accounting Standard will not be applicable to merger / closure of branches of banks by transferring the assets/ liabilities to the other branches of the same bank. Disclosures shall be required under the Standard only when: (i) discontinuing of the operation has resulted in shedding of liability and realisation of the assets by the bank or decision to discontinue an operation which will have the above effect has been finalised by the bank and (ii) the discontinued operation is substantial in its entirety.

8. Accounting Standard 25 – Interim Financial Reporting

This Standard prescribes the minimum content of an interim financial report and the principles for recognition and measurement in a complete or condensed financial statements for an interim period. The disclosures required to be made by listed banks in terms of the listing agreements would not tantamount to interim reporting as envisaged under AS 25 and as such AS 25 is not mandatory for the quarterly reporting prescribed for listed banks. The recognition and measurement principles laid down under AS 25 shall however, be complied with in respect of such quarterly reports. Half yearly review of accounts shall be applicable for all commercial banks[6] irrespective of whether such banks are listed or not. Banks shall follow the format prescribed by the Department of

[6] Half yearly review of accounts by auditors has only been prescribed for commercial banks.

Supervision, Reserve Bank of India (or National Bank for Agriculture and Rural Development for RRBs) for the purpose.

9. Accounting Standard 26 – Intangible asset

This Standard prescribes the accounting treatment for intangible assets that are not dealt with specifically in another accounting standard. With respect to computer software which has been customized for the bank's use and is expected to be in use for some time, the detailed recognition and amortization principle in respect of computer software prescribed in the Standard adequately addresses these issues and may be followed by banks. It may be noted that intangible assets recognized and carried in the balance sheet of banks in compliance with AS 26 shall attract provisions of section 15(1) of the Banking Regulation Act 1949, in terms of which banks are prohibited from declaring any dividend until any expenditure not represented by tangible assets is carried in the balance sheet. Banks desirous of paying dividend while carrying any intangible assets in its books must seek exemption from section 15(1) of the Banking Regulation Act, 1949 from the Central Government.

10. Accounting Standard 27 - Financial Reporting of Interests in Joint Ventures

This Standard is applied in accounting for interests in joint ventures and the reporting of joint venture assets, liabilities, income and expenses in the financial statements of ventures and investors, regardless of the structures or forms under which the joint venture activities take place. This Standard identifies three broad types of joint ventures, namely, jointly controlled operations, jointly controlled assets and jointly controlled entities. In case of jointly controlled entities, where banks are required to present CFS, the investment in joint ventures shall be accounted for as per provisions of this standard. In respect of joint ventures in the form of jointly controlled operations and jointly controlled assets, this Accounting Standard is applicable for both solo financial statements as well as CFS. It is clarified that though paragraph 26 of the Accounting Standard prescribes that for the purpose of solo financial statements, investment in jointly controlled entities is to be accounted as per Accounting Standard 13, such investment is to be reflected in the solo financial statements of banks as per guidelines prescribed by Reserve Bank of India since Accounting Standard 13 does not apply to banks. RRBs sponsored by banks shall be treated as associates and AS 27 shall not apply for investment in RRBs. The investment in RRBs shall however, be accounted in the consolidated financial statements as per the provisions of Accounting Standard 23.

11. Accounting Standard 28 – Impairment of assets

This standard prescribes the procedures that an enterprise applies to ensure that its assets are carried at no more than their recoverable amount. It is clarified that the standard shall not apply to inventories, investments and other financial assets such as loans and advances and shall generally be applicable to banks in so far as it relates to fixed assets. The Standard shall generally apply to financial lease assets and non-banking assets acquired in settlement of claims only when the indications of impairment of the entity are evident.