Disclosures in the published annual reports

Ref DBS.FID No. C-18 /01.02.00/2000-01

March 23 , 2001

All-India Term Lending and Refinancing Institutions

Dear Sirs,

Disclosures in the published annual reports

It has been observed that, at present, there is considerable divergence among the financial institutions in the nature and manner of disclosures made by them in their published annual reports. It is, however, considered desirable to bring about uniformity in the disclosure practices adopted by the financial institutions with a view to improving the degree of transparency in their affairs. The FIs are, therefore, advised to disclose certain important financial ratios / data, as detailed in the **Annexure I**, in their published annual reports, with effect from the financial year 2000-2001. Such disclosures should be made as part of the "Notes to Accounts" to enable the auditors to authenticate the information and notwithstanding the fact that the same information might be contained elsewhere in the published annual report. These disclosures constitute only minima and if a FI desires to make any additional disclosures, it would be well-advised to do so.

2. It may be please be noted in this regard that the aforesaid disclosures would be in addition to the disclosures prescribed under the RBI Guidelines on forward rate agreements / interest rate swaps, issued vide circular no. MPD.BC.187/07.01.279/1999-2000 dated 7 July 1999, which are excerpted in **Annexure II**.

3. Please acknowledge receipt.

Yours faithfully,

(K. C. Bandyopadhyay)
Chief General Manager

Encl.: Three sheets

ANNEXURE I

Disclosure requirements for the FIs effective from the financial year 2000-20001

A. Capital

(a) CRAR, core CRAR and supplementary CRAR

(b) The amount of subordinated debt raised and outstanding as Tier–II capital

(c) Risk weighted assets – separately for on- and off-balance sheet items

(d) The share holding pattern as on the date of the balance sheet

B. <u>Asset quality and credit concentration</u>

(e) Percentage of **net** NPAs to net loans and advances,

(f) Amount and percentage of net NPAs under the prescribed asset classification categories;

(g) Amount of provisions made **during the year** towards Standard assets, NPAs, investments (other than those in the nature of an advance), income tax

(h) Movement in **net** NPAs

(i) Credit exposure as percentage to capital funds and as percentage to total assets, in respect of:

- The largest single borrower;
- The largest borrower group;
- The 10 largest single borrowers;
- The 10 largest borrower groups;

(Names of the borrowers / borrower groups need not be disclosed).

(j) Credit exposure to the five largest industrial sectors (if applicable) as percentage to total loan assets

C. <u>Liquidity</u>

(k) Maturity pattern of rupee assets and liabilities; and

(l) Maturity pattern of foreign currency assets and liabilities, in the following format:

Items	**Less than or equal to 1 year**	**More than 1 year up to 3 years**	**More than 3 years up to 5 years**	**More than 5 years up to 7 years**	**More than five years**	**Total**
Rupee assets						
Foreign currency assets						
Total assets						
Rupee liabilities						
Foreign currency laibilities						
Total liabilities						
TOTAL						

D. Operating results

(m) Interest income as a percentage to average working funds

(n) Non-interest income as a percentage to average working funds

(o) Operating profit as a percentage to average working funds

(p) Return on average assets

(q) Net Profit per employee

Notes:

1. The CRAR and other related parameters, determined as per the extant capital adequacy norms for the FIs, may be disclosed.

2. For the purpose of asset quality and credit concentration, the bonds and debentures which are to be treated in the nature of an advance in terms of circular DBS.FID. No. C-9 /01.02.00/2000-01 dated 9 November 2000, and the deposits placed with the corporate sector (Cf. circular FIC No.841 / 01.02.00/93-94 dated 28 March 1994 to the term lending institutions and circular FIC No. 640/01.10.00/95-96 dated 7 March 1996 to the refinancing institutions – paragraph on "Other advances") should also be reckoned for determining the amount of loans and advances and the NPAs and included in the disclosures at B above.

3. The "credit exposure" should be reckoned as defined in circular DoS.FID.No. 17/ 01.02.00 / 96-97
dated 28 June 1997. As regards the "borrower group", the definition of the group, as applied by the FIs in complying with the Group Exposure norms, may be followed.

4. For the maturity pattern of assets and liabilities, the bucketing of various items of assets and liabilities in the specified time buckets should be done in accordance with the RBI Guidelines on Asset Liability Management System issued vide circular DBS.FID. No. C-11/01.02.00/1999-2000 dated 31 December 1999.

5. For operating results, the working funds and total assets may be taken as the average of the figures as at the end of the previous accounting year, the end of the succeeding half year and the end of the accounting year under report. (The "working funds" refer to the total assets of the FI.)

6. All permanent, full-time employees in all cadres should be reckoned for computing per employee
net profit.

ANNEXURE II

The disclosure requirements under the RBI Guidelines dated 7 July 1999 on Forward rate agreements and Interest Rate Swaps

The following disclosures should be made in the note to the balance sheet:

- The notional principal of swap agreements;
- Nature and terms of the swaps including information on credit and market risk and the accounting policies adopted for recording the swaps;
- Quantification of the losses which would be incurred if the counterparties failed to fulfil their obligations under the agreements;
- Collateral required by the entity upon entering into swaps;
- Any concentration of credit risk arising from the swaps. Examples of concentration could be exposures to particular industries or swaps with highly geared companies; and
- The "fair" value of the total swaps book. If the swaps are linked to specific assets, liabilities or commitments, the fair value would be the estimated amount that the entity would receive or pay to terminate the swap agreements at balance s
- heet date. For a trading swap, the fair value would be its mark to market value.