

## XII

# THE RESERVE BANK'S ACCOUNTS FOR 2013-14

*The balance sheet size of the Reserve Bank increased by about 10 per cent during the year ending June 30, 2014. This was mainly due to the expansion of the foreign currency assets, which increased by about 15 per cent. Gross income of ₹646.17 billion for the year 2013-14 registered a fall of 13.10 per cent over 2012-13, while total expenditure fell by 4.9 per cent from ₹125.49 billion to ₹119.34 billion. The year ended with an overall surplus of ₹526.79 billion, representing a decrease of 14.75 per cent over the previous year. The entire surplus was transferred to the government, making it the largest ever transfer by the Reserve Bank.*

XII.1 The balance sheet of the Reserve Bank is largely a reflection of the activities that is carried out in pursuing its currency issue function and its monetary and reserve management policy objectives. In recognition of the need for greater comparability and transparency, the Reserve Bank has been progressively moving towards greater disclosures in its financial statements. Accordingly, the key financial results of the Reserve Bank's operations during 2013-14 along with the supporting notes to the accounts and statement of significant accounting policies are set out in the following paragraphs.

XII.2 The year 2013-14 witnessed an overall increase in the size of the balance sheet by ₹2,337 billion, *i.e.*, 9.8 per cent from ₹23,907 billion as on June 30, 2013 to ₹26,244 billion as on June 30, 2014. The increase in the asset side was mainly due to increase in foreign currency assets (FCA), impact of depreciation of the US dollar against other major currencies in which the Reserve Bank's FCA are held and depreciation of the rupee against the US dollar adjusted for fall in the value of gold reserves on the asset side. The increase in the liabilities side was mainly due to a rise in currency in circulation and accretion to the Currency and Gold Revaluation Account (CGRA). At the close of the year, the domestic assets constituted 33.0 per cent of total assets while the foreign assets constituted the remaining 67.0 per cent as against 36.2 per cent and 63.8 per cent, respectively as on June 30, 2013.

XII.3 A Technical Committee constituted in 2012-13 to review the form of presentation of the Balance Sheet and Profit & Loss Account [Chairman: Shri Y. H. Malegam (Technical Committee I)] observed that the existing policies relating to reserves, provisioning and accounting norms needed to be examined in detail. As a follow up, another Technical Committee [Chairman: Shri Y. H. Malegam (Technical Committee II)] was constituted during 2013-14 to review the level and adequacy of internal reserves and surplus distribution policy of the Reserve Bank of India. Based on the detailed studies, the Technical Committee II recommended that since the balances in the Contingency Reserve (CR) and the Asset Development Reserve (ADR) are currently in excess of the buffers needed, there was no need to make any further transfers to CR and ADR. Accordingly, no transfers have been made to CR and ADR this year, and the entire surplus of ₹526.79 billion was transferred to the Central Government making it the largest ever surplus transfer by the Reserve Bank. The Technical Committee-I had made several recommendations relating to the format and contents of the Balance Sheet and Profit & Loss Account of the Reserve Bank. These recommendations covered the manner of reporting of items in the balance sheet, generation of a single balance sheet for Issue and Banking Departments, depiction of each balance sheet head in a single line supported by detailed schedules (instead of the present practice of reporting only some items

with detailed breakups in the balance sheet while explaining composition of other items in the accounts chapter), reclassification and grouping of certain items with a view to having better presentation of all material items in the financial statements. The Board of the Bank has accepted these recommendations for implementation in the year 2014-15. The merger of the Balance Sheets is dependent on the notification by the Central Government; this will be taken forward with the Central Government. Amendments to the format of the Profit & Loss Account would entail amendments to Regulation 22 of the Reserve Bank of India General Regulations, 1949; hence these would be implemented in the year 2014-15 after the revised Balance Sheet format is notified by the Central Government and the revised regulations are approved by the Central Board and notified by the Central Government.

XII.4 The major recommendations of the Technical Committee II include (a) changes in the method of revaluation of the rupee securities from the Lower of Book and Market Value (LOBOM) to fair valuation and (b) accounting for foreign exchange forward contracts. The recommendations also elucidate the various risks and the buffers required to take care of the risks arising out of future appreciation in the exchange value of the rupee, future depreciation in the market price of gold and market value of investments in foreign securities, operational & systemic risks, buffers required for further capital expenditure and investment in subsidiaries & associated enterprises. The recommendations also outline the approach to be followed for transfer of surplus to the Government.

XII.5 The Balance Sheet and the Profit and Loss Account for the year 2013-14 are as under.

ANNUAL REPORT

**RESERVE BANK OF INDIA  
BALANCE SHEET AS AT 30<sup>th</sup> JUNE 2014  
ISSUE DEPARTMENT**

(₹ thousands)

2012-13	LIABILITIES	2013-14	2012-13	ASSETS	2013-14
80,169	Notes held in the Banking Department	110,271	674,316,432	Gold Coin and Bullion:	649,775,377
12016,157,427	Notes in Circulation	13445,160,518	-	(a) Held in India	-
			11329,100,584	(b) Held outside India	-
12016,237,596	Total Notes Issued	13445,270,789	12003,417,016	Foreign Securities	12783,310,039
			2,356,280	Total	13433,085,416
			10,464,300	Rupee Coin	1,721,073
			-	Government of India Rupee Securities	10,464,300
			-	Internal Bills of Exchange and other Commercial Paper	-
12016,237,596	Total Liabilities	13445,270,789	12016,237,596	Total Assets	13445,270,789

**BANKING DEPARTMENT**

(₹ thousands)

2012-13	LIABILITIES	2013-14	2012-13	ASSETS	2013-14
50,000	Capital paid-up	50,000	80,169	Notes	110,271
65,000,000	Reserve Fund	65,000,000	296	Rupee Coin	209
220,000	National Industrial Credit (Long Term Operations) Fund	230,000	63	Small Coin	73
1,960,000	National Housing Credit (Long Term Operations) Fund	1,970,000		Bills Purchased and Discounted :	
			-	(a) Internal	-
			-	(b) External	-
			-	(c) Government Treasury Bills	-
	Deposits			Balances Held Abroad	3726,756,685
	(a) Government		3395,014,738	Investments	7767,331,027
1,002,895	(i) Central Government	1,000,207		Loans and Advances to :	
424,847	(ii) State Governments	424,661		(i) Central Government	-
	(b) Banks		7276,101,007	(ii) State Governments	6,656,600
3391,427,816	(i) Scheduled Commercial Banks	3469,155,998		Loans and Advances to:	
32,038,844	(ii) Scheduled State Co-operative Banks	37,292,739	146,610,000	(i) Scheduled Commercial Banks	294,173,000
55,210,206	(iii) Other Scheduled Co-operative Banks	63,307,042	21,449,487	(ii) Scheduled State Co-operative Banks	-
2,241,459	(iv) Non-Scheduled State Co-operative Banks	4,807,554		(iii) Other Scheduled Co-operative Banks	1,337,500
90,595,353	(v) Other Banks	102,670,889	187,170,300	(iv) Non-Scheduled State Co-operative Banks	-
165,973,592	(c) Others	213,885,518	1,650,000	(v) NABARD	-
			8,236,648	(vi) Others	68,662,500
	Bills Payable	373,489		Loans, Advances and Investments from National Industrial Credit (Long Term Operations) Fund:	
				(a) Loans and Advances to:	
				(i) Industrial Development Bank of India	-
				(ii) Export Import Bank of India	-
				(iii) Industrial Investment Bank of India Ltd.	-
				(iv) Others	-
				(b) Investments in bonds/ debentures issued by:	
				(i) Industrial Development Bank of India	-
				(ii) Export Import Bank of India	-
				(iii) Industrial Investment Bank of India Ltd.	-
				(iv) Others	-
				Loans, Advances and Investments from National Housing Credit (Long Term Operations) Fund:	
				(a) Loans and Advances to National Housing Bank	-
				(b) Investments in bonds/debentures issued by National Housing Bank	-
	Other Liabilities	8838,232,625	854,561,276	Other Assets	933,372,857
11890,873,984	Total Liabilities	12798,400,722	11890,873,984	Total Assets	12798,400,722

**THE RESERVE BANK'S ACCOUNTS FOR 2013-14**

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2014**

(₹ thousands)

2012-13	INCOME	2013-14
455,635,749	Interest, Discount, Exchange, Commission, etc.	646,169,713
455,635,749	<b>Total</b>	<b>646,169,713</b>
	EXPENDITURE	
25,725	Interest	35,690
58,595,877	Establishment	43,244,344
30,613	Directors' and Local Board Members' Fees and Expenses	30,963
640,702	Remittance of Treasure	712,554
28,066,536	Agency Charges	33,254,472
28,724,406	Security Printing (Cheques, Note forms, etc.)	32,135,816
228,203	Printing and Stationery	209,279
818,627	Postage and Telecommunication Charges	839,866
1,503,660	Rent, Taxes, Insurance, Lighting, etc.	1,223,092
30,139	Auditors' Fees and Expenses	24,221
36,316	Law Charges	45,594
2,390,152	Depreciation and Repairs to Bank's Property	2,658,472
4,404,794	Miscellaneous Expenses	4,924,898
125,495,750	<b>Total</b>	<b>119,339,261</b>
330,140,000	Available Balance	526,830,452
	Less: Contribution to:	
	National Industrial Credit (Long Term Operations) Fund	10,000
	National Rural Credit (Long Term Operations) Fund <sup>1</sup>	10,000
	National Rural Credit (Stabilisation) Fund <sup>1</sup>	10,000
40,000	National Housing Credit (Long Term Operations) Fund	10,000
		<b>40,000</b>
<b>330,100,000</b>	<b>Surplus payable to the Central Government</b>	<b>526,790,452</b>

1. These funds are maintained by the National Bank for Agriculture and Rural Development (NABARD).

**S. Ganesh Kumar**  
Chief General Manager

**S. S. Mundra**  
Deputy Governor

**R. Gandhi**  
Deputy Governor

**Urjit R. Patel**  
Deputy Governor

**Harun R. Khan**  
Deputy Governor

**Raghuram G. Rajan**  
Governor

**INDEPENDENT AUDITORS' REPORT**

**TO THE PRESIDENT OF INDIA**

*Report on the Financial Statements*

We, the undersigned Auditors of the Reserve Bank of India (hereinafter referred to as the "Bank"), do hereby report to the Central Government upon the Balance Sheet of the Bank as at June 30, 2014 and the Profit & Loss Account for the year ended on that date (hereinafter referred to as "financial statements"), which have been audited by us.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation of these financial statements that give a true and correct view of the state of affairs and results of operations of the Bank in accordance with the requirements of the provisions of the Reserve Bank of India Act, 1934 and Regulations framed thereunder and the accounting policies and practices consistently followed by the Bank. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and correct view and are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Bank's preparation and correct presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion and to the best of our information and according to explanations given to us and as shown by the books of account of the Bank, the Balance Sheet read with Significant Accounting Policies is a full and fair Balance Sheet containing all necessary particulars and is properly drawn up in accordance with the requirements of the provisions of the Reserve Bank of India Act, 1934 and Regulations framed there under so as to exhibit true and correct view of the state of affairs of the Bank

*Other Matters*

We report that we have called for information and explanation from the Bank which was necessary for the purpose of our audit and such information and explanation have been given to our satisfaction.

We also report that the financial statements include the accounts of eighteen Accounting Units of the Bank which have been audited by Statutory Branch Auditors and we have relied on their report in this regard.

For Haribhakti & Co., LLP  
Chartered Accountants  
(ICAI Firm Registration No. 103523W)

Dilip B. Desai  
Partner  
Membership No.300-53078

For CNK & Associates, LLP  
Chartered Accountants  
(ICAI Firm Registration No. 101961W)

Gautam Nayak  
Partner  
Membership No. 38127

Place: New Delhi

Date: August 10, 2014

## STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED JUNE 30, 2014

### 1. General

1.1 The Reserve Bank of India was established under the Reserve Bank of India Act, 1934 ( the Act) “to regulate the issues of Bank notes and the keeping of reserves with a view to securing monetary stability in India and generally to operate the currency and credit system of the country to its advantage”.

1.2 The main functions of the Bank are:-

- a) Issue of Bank notes.
- b) Management of the monetary system.
- c) Regulation and supervision of banks and Non –Banking Finance Companies (NBFCs).
- d) Acting as a lender of the last resort.
- e) Regulation and supervision of the Payment and Settlement Systems.
- f) Maintaining and managing the country’s foreign exchange reserves.
- g) Acting as a banker to the banks and the Governments.
- h) Acting as the manager of the debt of the Governments.
- i) Regulation and development of foreign exchange market.
- j) Developmental functions including in the areas of rural credit and financial inclusion.

The Act requires that the issue of Bank notes should be conducted by the Bank in an Issue Department which shall be separate and kept wholly distinct from the Banking Department and the assets of the Issue Department shall not be subject to any liability other than the liabilities of the Issue Department. The Act requires that the assets of the Issue Department shall consist of gold coins, gold

bullions, foreign securities, rupee coins and rupee securities to such aggregate amount as is not less than the total of the liabilities of the Issue Department. The Act requires that the liabilities of the Issue Department shall be an amount equal to the total of the amount of the currency notes of the Government of India and Bank notes for the time being in circulation.

### 2. Significant Accounting Policies

#### I. Convention

The financial statements are prepared in accordance with the Reserve Bank of India Act, 1934 and the notifications issued thereunder and in the form prescribed by the Reserve Bank of India General Regulations, 1949 and are based on historical cost except where it is modified to reflect revaluation.

The accounting practices and policies followed in the financial statements are consistent with those followed in the previous year unless otherwise stated.

#### II. Revenue Recognition

Income and expenditure are recognised on accrual basis except dividend, which is accounted for on receipt basis and penal interest that is accounted for only when there is certainty of realisation. Only realised gains are recognised.

Balances unclaimed and outstanding for more than three clear consecutive years in certain transit accounts including Drafts Payable Account, Payment Orders Account, Sundry Deposits Account, Remittance Clearance Account and Earnest Money Deposit Account are reviewed and written back to income. Claims in this respect are considered and charged against income in the year of payment.

Income and expenditure in foreign currency are recorded at the exchange rates prevailing on the last business day of the week/month/ year as applicable.

### III. Gold & Foreign Currency Assets and Liabilities

Transactions in gold and foreign currency assets and liabilities are accounted for on settlement date basis.

#### a) Gold

Gold is revalued on the last business day of the month at 90 per cent of the daily average price quoted by London Bullion Market Association for the month. The rupee equivalent is determined on the basis of the exchange rate prevailing on the last business day of the month. Unrealised gains/losses are credited/debited to the Currency and Gold Revaluation Account (CGRA).

#### b) Foreign Currency Assets and Liabilities

All foreign currency assets and liabilities (excluding foreign currency received under the swaps that are in the nature of repos) are translated at the exchange rates prevailing on the last business day of the week, month and the year, except in cases where rates are contractually fixed. Exchange gains and losses arising from such translation of foreign currency assets and liabilities are accounted for in CGRA and remain adjusted therein.

Foreign securities, other than Treasury Bills, are marked to market as on the last business day of each month except certain "held to maturity" securities, which are valued at cost. Appreciation or depreciation, if any, is recorded in the Investment Revaluation Account (IRA). Credit balance in IRA is carried forward to the subsequent year. Debit balance, if any, at the end of the year in IRA is charged to the Profit and Loss Account and the same is reversed to the credit of the Profit & Loss Account on the first working day of the succeeding financial year.

Foreign Treasury Bills and Commercial Papers are carried at cost as adjusted by amortisation of discount. Premium or discount on foreign securities is amortised daily. Profit/loss on sale of foreign

currency assets is recognised with respect to the book value. In the case of Foreign Treasury Bills, Commercial Papers and Foreign Securities, profit & loss is recognised with reference to the amortised cost. Further, on sale/redemption of foreign dated securities, valuation gain/loss in relation to the securities sold, lying in IRA, is transferred to the Profit & Loss Account.

#### c) Forward/Swap Contracts

The accounting policy for forward contracts has undergone a change during the year as suggested by Technical Committee II. Accordingly, forward contracts entered into by the Bank as part of its intervention operations are, from this year onwards, revalued on a yearly basis (on June 30). While MTM gain is to be credited to the 'Foreign Exchange Forward Contracts Valuation Account' (FCVA), a balance sheet head, with contra debit to Revaluation of Forward Contracts Account (RFCA), MTM loss would be debited to the FCVA with contra credit to the Provision for Forward Contracts Valuation Account (PFCVA). On maturity of the contract, the actual gain or loss would be recognised in the Profit & Loss account and the unrealised gains/losses previously recorded in the FCVA, RFCA and PFCVA would be reversed. While the balance in the RFCA represents the net unrealised gain on valuation of forward contracts entered into as part of intervention operations, the balance in the PFCVA represents the net unrealised loss on valuation of such contracts.

In the case of swaps at off-market rates that are in the nature of repo, the difference between the future contract rate and the rate at which the contract is entered into is amortised over the period of the contract and recorded in the Profit & Loss account with contra to Swap Amortisation Account. Further, the amounts received under these swap are not subject to periodic revaluation.

While FCVA and PFCVA form part of "Other Liabilities", RFCA forms part of "Other Assets".



#### IV. Rupee Securities

Rupee securities, other than Treasury Bills, held in the Issue and Banking Departments, are valued at lower of book value or market price (LOBOM). Where the market price for such securities is not available, the rates are derived based on the yield curve prevailing on the last business day of the month as notified by the Fixed Income Money Market and Derivatives Association of India (FIMMDA). Depreciation in value, if any, is adjusted against current interest income.

Treasury Bills are valued at cost.

Securities received as collateral under Repurchase Agreement (Repo) and Marginal Standing Facility (MSF) are held in the Reserve Bank's books at face value.

#### V. Shares

Investments in shares are valued at cost.

#### VI. Fixed Assets

Fixed Assets are stated at cost less depreciation.

Depreciation on computers, microprocessors, software (costing ₹0.1 million and above), motor vehicles, furniture, *etc.*, is provided on straight-line basis at the following rates.

Asset Category	Rate of depreciation
Motor vehicles, furniture, <i>etc.</i>	20 per cent
Computers, Microprocessors, Software, <i>etc.</i>	33.33 per cent

Amortisation of premium on leasehold land and depreciation on building is provided on written-down value basis at the following rates.

Asset Category	Rate of depreciation/ amortisation
Leasehold Land and Building(s) constructed thereon	Proportionate to lease period but not less than 5 per cent
Building(s) constructed on Freehold Land	10 per cent

Fixed Assets, costing less than ₹1,00,000 (except easily portable electronic assets) are charged to the Profit and Loss Account in the year of acquisition.

Valuable but easily portable electronic assets, such as, laptops, *etc.* costing more than ₹10,000 are capitalised.

Individual items of computer software costing ₹1,00,000/- and above are capitalised and depreciation is calculated at the applicable rates. Depreciation is provided on year-end balances of the Fixed Assets.

#### VII. Employee Benefits

The liability on account of long term employee benefits is provided based on an actuarial valuation under the 'Projected Unit Credit' method.

#### NOTES TO THE ACCOUNTS

##### Basis of preparation

XII.6 The financial statements of the Reserve Bank are prepared in accordance with the Reserve Bank of India (RBI) Act, 1934 and the notifications issued there under and in the form prescribed by the Reserve Bank of India General Regulations, 1949. As per the current practice, Reserve Bank prepares two balance sheets, one for the Issue Department relating exclusively to its currency management responsibility and the other for the Banking Department reflecting the impact of all other functions of the Reserve Bank.

##### Liabilities and Assets of the Issue Department

###### *Issue Department – Liabilities*

XII.7 The liabilities of the Issue Department reflect the quantum of currency notes in circulation. Section 34(1) of the Reserve Bank of India Act requires that all bank notes issued by the Reserve Bank since April 1, 1935 and the currency notes issued by the Government of India before the

commencement of operations of the Reserve Bank, be part of the liabilities of the Issue Department. The currency notes in circulation increased by 11.9 per cent during 2013-14 to ₹13,445.16 billion as compared with an increase of 8.9 per cent during 2012-13 and 13.8 per cent in 2011-12.

#### *Issue Department – Assets*

XII.8 The eligible assets of the Issue Department for backing its currency liabilities consist of gold (coins and bullion), foreign securities, rupee coin, Government of India securities (which remained unchanged at ₹10.46 billion), internal bills of exchange and other commercial papers. The Reserve Bank holds 557.75 metric tonnes of gold of which 292.26 metric tonnes are held as an asset of the Issue Department and the balance 265.49 metric tonnes is treated as part of the other assets of the Banking Department. The value of gold held in the Issue Department decreased by 3.6 per cent from ₹674.31 billion as on June 30, 2013 to ₹649.78 billion as on June 30, 2014, reflecting declining international bullion prices (Table XII.1). Consequent upon an increase in the total liabilities of the Issue Department, there was an increase in the supporting assets held in the form of foreign securities from ₹11,329.10 billion as on June 30, 2013 to ₹12,783.31 billion as on June 30, 2014. The value of Rupee coins of the Issue Department decreased from ₹2.36 billion as on June 30, 2013

to ₹1.72 billion as on June 30, 2014, registering a decrease of 27.1 per cent. There was no change in the holding of the Government of India Rupee securities which remained at ₹10.46 billion.

### **Liabilities and Assets of the Banking Department**

#### *Banking Department – Liabilities*

##### **i) Capital**

The Reserve Bank was constituted as a private shareholders' bank in 1935 with an initial paid-up capital of ₹0.05 billion. The bank was nationalised with effect from January 1, 1949 and its entire ownership remains vested in the Government of India. The paid-up capital continues to be ₹0.05 billion as per section 4 of the RBI Act.

##### **ii) Reserve Fund**

The original Reserve Fund of ₹0.05 billion was created in terms of section 46 of the Reserve Bank of India Act as contribution from the Central Government for the currency liability of the then sovereign government taken over by the Reserve Bank. Thereafter, an amount of ₹64.95 billion was credited to this Fund from out of gains on periodic revaluation of gold up to October 1990, taking it to ₹65 billion. The accumulation in the fund has been static since then and gain/loss on account of valuation of gold and foreign currency is booked in the Currency and Gold Revaluation Account (CGRA) which is part of the head 'Other Liabilities' in the balance sheet.

##### **iii) National Industrial Credit (Long Term Operations) Fund**

Created in July 1964, under section 46C of the RBI Act with an initial corpus of ₹100 million, the fund witnessed annual contribution from the Reserve Bank for financial assistance to eligible financial institutions. Since 1992-93, a token amount of ₹10 million is being contributed each year to the Fund from the Bank's income; the same practice has been

**Table XII.1: Holding of Gold**

	As on June 30, 2013		As on June 30, 2014	
	Value in ₹ billion	Volume in metric tonnes	Value in ₹ billion	Volume in metric tonnes
1	2	3	4	5
Gold held in Issue Department	674.31	292.26	649.78	292.26
Gold held in Banking Department (under 'Other Assets')	612.54	265.49	590.24	265.49
<b>Total</b>	<b>1,286.85</b>	<b>557.75</b>	<b>1,240.02</b>	<b>557.75</b>



followed for the year 2013-14 as well and the balance in the fund stood at ₹230 million as on June 30, 2014.

#### iv) National Housing Credit (Long Term Operations) Fund

Set up in January 1989 under section 46D of the RBI Act for extending financial accommodation to the National Housing Bank, the initial corpus of ₹500 million has been enhanced by annual contributions from the Reserve Bank thereafter. From the year 1992-93, only a token amount of ₹10 million is contributed each year from the Profit & Loss Account (Income Statement) to the Fund. The balance in the fund stood at ₹1,970 million as on June 30, 2014.

#### v) Contribution to other Funds

It may be noted that there are two other Funds constituted under section 46A of the RBI Act, viz., National Rural Credit (Long Term Operations) Fund and National Rural Credit (Stabilisation) Fund for which a token contribution of ₹10 million each is made every year to the National Bank for Agriculture and Rural Development (NABARD).

#### vi) Deposits

These represent the cash balances maintained with the Reserve Bank by the Central and State Governments, banks, All India financial institutions, such as, Export Import Bank (EXIM Bank) and NABARD, foreign central banks, international financial institutions, balance in different accounts relating to the Employees' Provident Fund, Gratuity and Superannuation Funds and balance in the newly established Depositor Education and Awareness Fund (DEA Fund). This Fund was created during the year for promotion of depositors' interest and for such other purposes which may be necessary for the promotion of depositors' interests as specified

by the Reserve Bank from time to time. The balance in the DEA Fund was ₹27.95 billion as on June 30, 2014. Total deposits stood at ₹3,892.54 billion as on June 30, 2014 as compared with ₹3,738.92 billion as on June 30, 2013, registering an increase of 4.1 per cent.

- *Deposits – Government*

The Reserve Bank acts as banker to the Central Government in terms of sections 20 and 21 and as banker to the State Governments by mutual agreement in terms of section 21(A) of the Reserve Bank of India Act. Accordingly, the Central and the State Governments maintain deposits with the Reserve Bank. The year-end closing balances of deposits maintained by the Central and State Governments at ₹1.00 billion and ₹0.42 billion respectively totalling ₹1.42 billion were at almost the same level as at the end of the previous year.

- *Deposits – Banks*

Banks maintain balances in their current accounts with the Reserve Bank to provide for the Cash Reserve Ratio (CRR) requirements and for working funds to meet payment and settlement obligations. The total bank deposits as on June 30, 2014 stood at ₹3,677.24 billion as compared with ₹3,571.51 billion as on June 30, 2013, registering an increase of 3.0 per cent during the year.

- *Deposits - Others*

There was an overall increase of 28.9 per cent in other deposits during the year 2013-14, mainly on account of higher accumulated retirement benefits and newly established DEA Fund. The details are given in the Table XII.2.

#### vii) Bills Payable

The Reserve Bank provides remittance facilities for its constituents and also meets its own payment requirements through issue of

**Table XII.2: Deposits –Others**

(₹ billion)

Particulars	As on June 30	
	2013	2014
1	2	3
I. Rupee Deposits from the Foreign Central Banks and the Foreign Financial Institutions	15.33	11.56
II. Deposits from the Indian Financial Institutions	0.70	2.53
III. Deposits placed by Mutual Funds	0.02	0.01
IV. Accumulated Retirement Benefits (i+ii)	141.02	161.72
(i) Provident Fund	36.10	38.62
(ii) Gratuity and Superannuation Fund	104.92	123.10
V. Depositor Education and Awareness (DEA) Fund	0.00	27.95
VI. Miscellaneous	8.90	10.11
<b>Total</b>	<b>165.97</b>	<b>213.88</b>

Demand Drafts (DDs) and Payment Orders (POs) (besides electronic payments mechanisms). The balance under this head represents the un-encashed DDs/ POs and remittances under the erstwhile Remittance Facility Scheme, 1975. The total amount outstanding under this head decreased from ₹1.87 billion as on June 30, 2013 to ₹0.37 billion as on June 30, 2014 mainly due to reduction in remittance of funds through DD/ POs reflecting the growing popularity of electronic modes of payment.

#### viii) Other Liabilities

The major components of 'other liabilities' are internal reserves and provisions. While CR and ADR are created from the Bank's realised profit, the remaining components of 'Other Liabilities', such as, CGRA, Investment Revaluation Account (IRA) and Foreign Exchange Forward Contracts Valuation Account (FCVA) [previously Exchange Equalisation Account (EEA)] represent unrealised gains/losses. Other Liabilities increased from ₹8,082.86 billion as on June 30, 2013 to ₹8,838.23 billion as on June 30, 2014, reflecting a rise of 9.3 per cent mainly on account of accretion to the CGRA (Table XII.3).

#### a) Contingency Reserve (CR)

It represents the amount set aside on a year-to-year basis for meeting unexpected and unforeseen contingencies, including depreciation in the value of securities, and risks arising out of monetary/exchange rate policy operations, systemic risks and any risk arising on account of the special responsibilities enjoined upon the Bank.

#### b) Asset Development Reserve (ADR)

The Asset Development Reserve, created in 1997-98, represents the amounts provided out of profits each year to meet internal capital expenditure and make investments in subsidiaries and associated institutions.

#### Transfers to Contingency Reserve and Asset Development Reserve

As against the target of 12 per cent of total assets set for CR and the ADR together based on the recommendations of an Internal Study Group (Chairman: Shri V. Subrahmanyam) (1997), the CR and the ADR together constituted 9.2 per cent of the total assets of the Reserve Bank as on June 30, 2014; the position as at the end of the last five years is given in Table XII.4. Following the

Table XII.3: Details of Other Liabilities

(₹ billion)

Particulars	As on June 30	
	2013	2014
1	2	3
<b>a. Contingency Reserve</b>		
Balance at the beginning of the year	1,954.05	2,216.52
Add: Accretion during the year	262.47	0.00
Balance at the end of the year	2,216.52	2,216.52
<b>b. Asset Development Reserve</b>		
Balance at the beginning of the year	182.14	207.61
Add: Accretion during the year	25.47	0.00
Balance at the end of the year	207.61	207.61
<b>c. Currency and Gold Revaluation Account</b>		
Balance at the beginning of the year	4,731.72	5,201.13
Add: Net Accretion (+)/Net Depletion (-) during the year	(+) 469.41	(+) 520.50
Balance at the end of the year	5,201.13	5,721.63
<b>d. Investment Revaluation Account</b>		
Balance at the beginning of the year	122.22	24.85
Add: Net Accretion (+)/Net Utilisation (-) during the year	(-) 97.37	(+) 13.06
Balance at the end of the year	24.85	37.91
<b>e. Foreign Exchange Forward Contracts Valuation Account (Previously known as Exchange Equalisation Account)</b>		
Balance at the beginning of the year	24.05	16.99
*Transfer from Exchange Account/** MTM gain on forward contracts	16.99*	42.98**
Add: Net Accretion (+)/Net Utilisation (-) during the year	(-) 24.05	(-) 16.99
Balance at the end of the year	16.99	42.98
<b>f. Provision for Payables</b>	18.43	16.55
<b>g. Surplus Transferable to the Government of India</b>	330.10	526.79
<b>h. Miscellaneous</b>	67.23	68.24
<b>i. Total (a to h)</b>	<b>8,082.86</b>	<b>8,838.23</b>

recommendations of the Technical Committee II, no transfers to CR and ADR have been made for the year ended June 30, 2014.

**c) Currency and Gold Revaluation Account (CGRA)**

Unrealised gains/losses on valuation of Foreign Currency Assets (FCA) and gold due to movements in price of gold are not taken to the Profit & Loss Account but instead recorded under a balance sheet head named as the Currency and Gold Revaluation

Table XII.4: Balances in Contingency Reserve and Asset Development Reserve

(₹ billion)

As on June 30	Balance in CR	Balance in ADR	Total	CR and ADR as per percentage to total assets
1	2	3	4=(2+3)	5
2010	1585.61	146.32	1731.92	11.3
2011	1707.28	158.66	1865.94	10.3
2012	1954.05	182.14	2136.19	9.7
2013	2216.52	207.61	2424.13	10.1
2014	2216.52	207.61	2424.13	9.2

Account (CGRA). CGRA represents the accumulated net balance of unrealised gains and losses arising out of valuation of FCA and gold and, therefore, its balance varies with the size of asset base, movement in the exchange rate and price of gold. During 2013-14, the balances in CGRA increased by ₹520.50 billion from ₹5,201.13 billion as on June 30, 2013 to ₹5,721.63 billion as on June 30, 2014 mainly due to the depreciation of US Dollar against other major currencies and of the rupee against the US Dollar.

**d) Investment Revaluation Account (IRA)**

The Reserve Bank marks to market the foreign dated securities at market prices on the last business day of each month and the unrealised gains/losses arising therefrom is transferred to the IRA. The balance in the IRA as on June 30, 2014 was ₹37.91 billion, as compared with ₹24.85 billion as on June 30, 2013. The increase in balance in this account was mainly due to market fluctuations.

**e) Foreign Exchange Forward Contracts Valuation Account (FCVA) [previously known as Exchange Equalisation Account (EEA)]**

As per the revised accounting policy for forward contracts suggested by the Technical Committee II implemented during the year, the Exchange Equalisation Account (EEA) which was used for recording the MTM losses on outstanding forward contracts has been renamed as 'Foreign Exchange Forward Contracts Valuation Account' (FCVA) and both the MTM gains as well as losses on foreign exchange forward contracts that are entered into as part of the Bank's intervention operations are booked under this head of account. The amounts recorded in this account will be reversed on the maturity of the respective contracts. The balance in FCVA as on June 30, 2014 was ₹42.98 billion, as against a balance of ₹16.99 billion as on June

**Table XII.5: Balances in Currency and Gold Revaluation Account (CGRA), Foreign Exchange Forward Contracts Valuation Account (FCVA) [previously Exchange Equalisation Account (EEA)] and Investment Revaluation Account (IRA)**

(₹ billion)			
As on June 30	CGRA	FCVA*	IRA
1	2	3	4
2010	1,191.34	0.19	93.71
2011	1,822.86	0.01	42.69
2012	4,731.72	24.05	122.22
2013	5,201.13	16.99	24.85
2014	5,721.63	42.98	37.91

\*EEA till 2012-13

30, 2013. The position of balances in CGRA, FCVA & IRA for the last five years is given in Table XII.5.

**f) Provision for Outstanding Expenses**

An amount of ₹16.55 billion has been set aside as provisions for the year 2013-14; the corresponding figure for the year 2012-13 was ₹18.43 billion.

**g) Surplus transferable to the Government of India**

Under Section 47 of the Reserve Bank of India Act, after making provisions for bad and doubtful debts, depreciation in assets, contribution to staff and superannuation fund and for all matters for which provisions are to be made by or under the Act or that are usually provided by bankers, the balance of the profits of the Bank are required to be paid to the Central Government. Under Section 48 of the Reserve Bank Act, 1934 the Bank is not liable to pay income tax or super tax or any other tax on any of its income, profits or gains and is also exempt from payment of wealth tax. Accordingly, after adjusting the expenditure including the contribution of an amount of ₹40 million for the statutory funds, ₹526.79 billion represented the surplus

transferable to the government for the year 2013-14. The amount which was transferred to the Government on August 11, 2014 constituted 99.99 per cent of total surplus (before transfer to four funds) as compared with 37.2 per cent and 53.4 per cent in 2011-12 and 2012-13, respectively (Table XII.16). The amount was inclusive of ₹0.03 billion towards notional service tax payable on account of the MICR cheque processing charges on a self-assessment basis as was done in the earlier years and ₹12.69 billion as against ₹13.22 billion in the previous year, payable to the government towards the difference in interest expenditure borne by the Government consequent on conversion of special securities into marketable securities.

#### h) **Miscellaneous**

This is a residual head including sub accounts, such as, balances payable on account of leave encashment, reserve for interest earned on securities earmarked for the employee funds, the value of collateral held as margin for repo transactions, medical provisions for employees, *etc.* Miscellaneous liabilities stood at ₹68.24 billion as on June 30, 2014 as against ₹67.23 billion as on June 30, 2013.

#### **Banking Department – Assets**

XII.9 The assets of the Banking Department comprise Notes, Rupee Coin, Small Coin, Bills Purchased and Discounted, Balances Held Abroad, Investments, Loans and Advances and Other Assets. They are presented in the balance sheet in descending order of liquidity.

##### i) **Notes, Rupee Coin and Small Coin**

This is the stock of bank notes, one rupee notes, rupee coins of ₹1, 2, 5 and 10 and small coins kept in the vaults of the Banking Department to meet the day to day requirements of the banking functions conducted by the Reserve Bank. The value of

this stock increased by 37.5 per cent from ₹0.08 billion as on June 30, 2013 to ₹0.11 billion as on June 30, 2014.

##### ii) **Bills purchased and discounted**

Though the Reserve Bank can undertake purchase and discounting of commercial bills under the RBI Act, no such activity has been undertaken in 2013-14; consequently, there was no such asset in the books of the Reserve Bank as on June 30, 2014.

##### iii) **Foreign Currency Assets (FCA) and Foreign Exchange Reserves (FER)**

The Foreign Currency Assets (FCA) of the Bank are reflected under the following heads in the Balance Sheet: (a) Balances Held Abroad in foreign currency, shown as a distinct item under the assets of the banking department (b) Foreign Securities (consisting of deposits, T- bills, Dated Securities and BIS / SWIFT shares) held as part of Banking Department's Investments and (c) Foreign Securities (consisting of Deposits, T-bills and dated securities) held as Issue Department assets as mentioned in paragraph on "Issue Department Assets".

Balances Held Abroad include (i) deposits with other central banks, (ii) deposits with the Bank for International Settlements (BIS), (iii) balances with foreign branches of commercial banks, (iv) investments in foreign treasury bills and securities and (v) Special Drawing Rights (SDR) acquired from the Government of India during the year. The position of FCA of the Bank for the last two years is given in Table XII.6.

The Foreign Exchange Reserves (FER) predominantly comprises FCA, besides gold, Special Drawing Rights (SDRs) and Reserve Tranche Position (RTP). Reserve Tranche Position in the IMF is not part of the Bank's balance sheet but are held by the Government



**Table XII.6: Details of Foreign Currency Assets**

(₹ billion)

Particulars	As on June 30	
	2013	2014
1	2	3
I. Held in Issue Department	11,329.10	12,783.31
II. Held in Banking Department		
(a) Included in Investments*	523.57	1,069.45
(b) Balances Held Abroad	3,395.01	3,726.76
<b>Total</b>	<b>15,247.68</b>	<b>17,579.52</b>

\*: including Foreign Securities and Shares in BIS and SWIFT (items ii plus iii of Table XII.8)

@: including SDRs valued at ₹49.31 billion

- Notes :**
1. Uncalled amount on partly paid shares of the Bank for International Settlements (BIS) as on June 30, 2014 was ₹1.12 billion (SDR 12,041,250). The amount was ₹1.08 billion (SDR 12,041,250) in the previous year.
  2. RBI has agreed to make resources available under the IMF's New Arrangements to Borrow (NAB) [which subsumes the earlier commitment of US\$ 10 billion (₹600.93 billion) under the Note Purchase Agreement] up to a maximum amount of SDR 8,740.82 million (₹812.00 billion /US\$ 13.51 billion). As on June 30, 2014, investments amounting to SDR 1,200.90 million (₹111.56 billion/US\$ 1.86 billion) have been made under the NAB.
  3. RBI has agreed to invest up to an amount, the aggregate of which shall not exceed US\$ 5 billion (₹300.47 billion), in the bonds issued by India Infrastructure Finance Company (UK) Limited. As on June 30, 2014, the Reserve Bank has invested US\$ 1,181 million (₹70.97 billion) in such bonds.
  4. In terms of the Note Purchase Agreement (NPA) 2012 entered into by RBI with IMF, RBI would purchase SDR denominated Notes of IMF for an amount up to the equivalent of USD 10 billion (₹600.93 billion).
  5. During the year 2013-14, the Reserve Bank and Government of India (GoI) entered into a MoU for transfer of SDR holdings from GoI to RBI in a phased manner. As on June 30, 2014, SDRs 530.80 million (₹49.31 billion; US\$ 820.56 million) were held by the Bank.

of India and therefore not reflected in the Reserve Bank's balance sheet. The Foreign Exchange Reserves as at June 30, 2013 and June 30, 2014 in Indian Rupees & the US dollar, which is the numeraire for our foreign exchange reserves, were as under [Tables XII.7 (a) and (b)].

**Table XII.7(a): Foreign Exchange Reserves in Rupee**

(₹ billion)

	As on		Variation	
	June 30, 2013	June 30, 2014	Absolute	Per cent
1	2	3	4	5
Foreign Currency Assets (FCA)	15,247.69	17,530.21 <sup>#</sup>	2,282.52	14.97
Gold	1286.86	1240.02 <sup>@</sup>	(-) 46.84	(-) 3.64
Special Drawing Rights (SDR)	259.20	268.31	9.11	3.51
Reserve Position in the IMF*	130.67	103.23	(-) 27.44	(-) 21.00
<b>Total Foreign Exchange Reserves (FER)</b>	<b>16,924.42</b>	<b>19,141.77</b>	<b>2,271.35</b>	<b>13.10</b>

<sup>#</sup> : Excludes SDR Holdings of the Reserve Bank amounting to ₹49.31 billion which is included under the SDR holdings.

<sup>@</sup> : Of this, gold valued at ₹649.78 billion is held as an asset of Issue Department and gold valued at ₹590.24 billion is held under 'Other Assets' in the Banking Department.

\* : Reserve Tranche Position in the International Monetary Fund (IMF), which was shown as a memo item from May 23, 2003 to March 26, 2004 has been included in the reserves from the week ended April 2, 2004.

**Table XII.7(b): Foreign Exchange Reserves in USD**

(USD billion)

	As on		Variation	
	June 30, 2013	June 30, 2014	Absolute	Per cent
1	2	3	4	5
Foreign Currency Assets (FCA)	254.37*	289.32**	34.95	13.74
Gold	21.55	20.63	(-) 0.92	(-) 4.27
Special Drawing Rights (SDR)	4.34	4.47	0.13	3.00
Reserve Position in the IMF	2.19	1.72	(-)0.47	(-) 21.46
<b>Total Foreign Exchange Reserves (FER)</b>	<b>282.45</b>	<b>316.14</b>	<b>33.69</b>	<b>11.93</b>

\* : Excluding USD 950 million invested in bonds of IIFC (UK) and Bhutan currency (BTN) equivalent of USD 100 million received from Bhutan under a Currency Swap arrangement for SAARC countries. these are not considered as part of forex reserves.

\*\* : Excluding USD 1,181 million invested in bonds of IIFC (UK) and SDRs equivalent to USD 820.56 million acquired by the Reserve Bank.

**Table XII.8: Investments of the Banking Department**

(₹ billion)		
Investments	2012-13	2013-14
1	2	3
a) Government of India Rupee securities@	6,739.33	6,684.68
b) Foreign securities	520.90	1,066.69
c) Shares in BIS/SWIFT	2.67	2.76
d) Holdings in Subsidiaries / Associate Institutions	13.20	13.20
<b>Total</b>	<b>7,276.10</b>	<b>7,767.33</b>

@: includes ₹452.65 billion for the year 2013-14 and ₹454.02 for the year 2012-13 in the form of oil bonds issued by the Government of India.

**iv) Investments**

Investments of Banking Department given in Table XII.8 comprise the following:-

- a) The Bank's holdings of Government of India (GOI) Rupee Securities came down from ₹6,739.33 billion in 2012-13 to ₹6,684.68 billion in 2013-14. The total rupee securities in the portfolio has gone down marginally during the year 2013-14 as the redemptions (of ₹236.38 billion) and change in GOI balances (of ₹182.85 billion) exceeded the purchases through OMO (of ₹302.83 billion). The Bank's own holdings of GOI Rupee securities was ₹5,663.32 billion; ₹951.42 billion represented the collateral received under Repurchase Agreement–Repo while ₹92.46 billion was the value of securities pertaining to the Marginal Standing Facility - (MSF) adjusted for securities given out under

Reverse Repurchase Agreement–reverse repo of ₹22.52 billion.

- b) Foreign securities represent debt of sovereigns and supranational institutions and other instrument or institution as approved by the Central Board of the Bank in accordance with the provisions of the Reserve Bank of India Act, 1934. A part of foreign securities are held in the Banking Department as asset earmarked to cover any future expansion in Issue Department liabilities.
- c) Shares held in the Bank for International Settlements (BIS) and the Society for Worldwide Interbank Financial Telecommunication (SWIFT) amounting to ₹2.76 billion.
- d) The details of holdings in subsidiaries / associate institutions as on June 30, 2014 are given in Table XII.9.

**v) Loans and Advances****a) Central and State Governments**

These loans take the form of Ways and Means Advances (WMA) extended in terms of section 17(5) of the Reserve Bank of India Act and Overdraft (OD) facilities, limits for which are fixed from time to time in consultation with the governments. No loans and advances to the Central Government were outstanding as on June 30, 2014; as on June 30, 2013, the corresponding figure was ₹146.61 billion. Loans and advances to the State Governments as on June 30, 2014 stood at ₹6.65 billion as compared with ₹21.45 billion as on June 30, 2013.

**Table XII.9: Holdings in subsidiaries/associates**

(Amount in ₹ million)		
	Cost	% holding
1	2	3
(a) Deposit Insurance and Credit Guarantee Corporation (DICGC)	500.00	100.0
(b) National Bank for Agriculture and Rural Development( NABARD)	200.00	1.0
(c) National Housing Bank ( NHB)	4,500.00	100.0
(d) Bharatiya Reserve Bank Note Mudran Pvt. Ltd. (BRBNMPL)	8,000.00	100.0
<b>Total</b>	<b>13,200.00</b>	<b>–</b>

b) *Loans and advances to Commercial and Co-operative banks*

These include refinance availed of from the Reserve Bank under the export credit refinance (ECR) facility against eligible outstanding export credit. The ECR refinance limit changes automatically with the outstanding eligible export credit, and the annual increase/decrease reflects increase/decrease in actual utilisation of the facility by banks. Utilisation of the ECR increased from ₹188.82 billion as on June 30, 2013 to ₹295.51 billion as on June 30, 2014.

c) *Loans and advances to NABARD*

The Reserve Bank can extend loans to NABARD under section 17 (4E) of the RBI Act. Presently no loans are outstanding.

d) *Loans and advances to others*

The balance under this head represents loans to the Small Industries Development Bank of India (SIDBI), National Housing Bank (NHB) and Primary Dealers (PDs) amounting to ₹50 billion, ₹18.5 billion and ₹0.1 billion respectively. The facility extended in November 2013 to SIDBI was for one year with a 90 day tenure and a cut off rate pertaining to the immediately preceding 14 day term repo rate, payable at monthly rests. The facility for NHB was extended thirteen years ago at a rate of 6 per cent payable half-yearly. The liquidity support for PDs is primarily provided so that they have enough reserves to participate in the primary auctions. The utilisation under this facility increased mainly due to increase in the borrowing programme of Government of India.

vi) **Other Assets**

'Other Assets' of Banking Department (Table XII.10) comprise fixed assets (net of depreciation), gold held abroad (265.49 metric tonnes), accrued income (mainly comprising interest income accrued on balance sheet

**Table XII.10: Details of Other Assets**

(₹ billion)

Particulars	As on June 30	
	2013	2014
1	2	3
I. Fixed Assets (net of accumulated depreciation)	4.50	1.07
II. Gold	612.54	590.24
III. Accrued income (a + b)	223.88	222.46
a. on loans to employees	2.98	0.66
b. on other items	220.90	221.80
IV. Swap Amortization Account	0.00	59.30
V. Revaluation of Forward Contracts Account	0.00	42.85
VI. Miscellaneous	13.64	17.45
<b>Total</b>	<b>854.56</b>	<b>933.37</b>

date on the Bank's domestic and foreign investments), Swap Amortisation Account (SAA), Revaluation of Forward Contracts Account (RFCA) and miscellaneous assets. Miscellaneous assets comprise mainly loans and advances to staff, amount spent on projects pending completion, the margin offered for reverse repo transactions, security deposit paid, and items in transit representing inter-office transactions (through the RBI General Account), etc.

**Swap Amortisation Account (SAA)**

Based on the recommendations of the Technical Committee II, in the case of swaps that are in the nature of repo at off-market rates, the difference between the future contract rate and the rate at which the contract is entered is being amortised over the period of the contract and held in the Swap Amortisation Account. The balance in this account as on June 30, 2014 was ₹59.30 billion.

**Revaluation of Forward Contracts Account (RFCA)**

As recommended by the Technical Committee II, in the case of forward contracts that are

Table XII.11: Gross Income

(₹ billion)

Item	2009-10	2010-11	2011-12	2012-13	2013-14
1	2	3	4	5	6
<b>A. Foreign Sources</b>					
Interest, Discount, Exchange	251.02	211.5	198.10	207.46	197.68
<b>B. Domestic Sources</b>					
(i) Interest	66.47	150.32	323.39	523.06	435.38
(ii) Other Earnings	11.35	8.88	10.27	13.05	13.11
Total: (i) + (ii)	77.82	159.20	333.66	536.11	448.49
<b>C. Gross Income (A+B)</b>	328.84	370.70	531.76	743.58	646.17
<b>D. Transfer to Contingency Reserve</b>	51.68	121.67	246.77	262.47	0
<b>E. Transfer to Asset Development Reserve</b>	5.50	12.35	23.48	25.47	0
<b>F. Total Income(C-D-E)</b>	271.66	236.68	261.51	455.64	646.17

entered into as part of intervention operations, the MTM gains have been recorded in this account to be reversed on the maturity of the underlying contracts. The balance in this account as on June 30, 2014 was ₹42.85 billion. The value of 'Other Assets' increased from ₹854.56 billion to ₹933.37 billion as on June 30, 2014, mainly on account of amortisation of off- market swaps and MTM gains on revaluation of forward contracts as indicated in above paragraphs.

## ANALYSIS OF INCOME AND EXPENDITURE

### Income

XII.10 The Reserve Bank's income is drawn from (i) Interest receipts, (ii) Discount, (iii) Exchange, (iv) Commission and (v) Others including Rent Realised, Profit or loss on sale of Bank's property and Provisions no longer required. Of these, Interest earnings forms the major portion supplemented by relatively small amounts of income from other sources, viz., discount, exchange, commission and others. Details of the gross income and the earnings from domestic and foreign sources for the last five years are presented in Table XII.11.

### Earnings from Foreign Sources

XII.11 The income from foreign sources which is derived from deployment of the foreign currency assets decreased by ₹9.78 billion (4.7 per cent) from ₹207.46 billion in 2012-13 to ₹197.68 billion in 2013-14. The rate of earnings on foreign currency assets was lower at 1.21 per cent in 2013-14 as compared with 1.45 per cent in 2012-13 due to low interest rates in the international markets during the year (Table XII.12).

Table XII.12: Earnings from Foreign Sources

(₹ billion)

Item	Year ended		Variation	
	June 30, 2013	June 30, 2014	Absolute	Per cent
1	2	3	4	5
Foreign Currency Assets (FCA)	15,247.68	17,579.52	2,331.84	15.29
Average FCA	14281.58	16,368.93	2,087.35	14.62
Earnings from FCA (interest, discount, exchange gain/loss, capital gain/loss on securities)*	207.46	197.68	(-) 9.78	(-) 4.71
Earnings from FCA as per cent of average FCA	1.45	1.21	-	-

\* Earnings include swap premium of ₹59.30 billion during 2013-14

### Earnings from Domestic Sources

XII.12 The net income from domestic sources decreased from ₹536.11 billion in 2012-13 to ₹448.49 billion in 2013-14, recording a fall of 16.3 per cent. A detailed break-up of the various components of domestic income is provided in Table XII.13. In spite of the decrease in the total holding of Rupee securities (Table XII.8), the income from coupon receipts had gone up from ₹408.68 billion in 2012-13 to ₹470.53 billion in 2013-14 on account of net purchases of government securities worth ₹302.83 billion in the year. However, the overall decrease was primarily on account of increase in depreciation booked on the Rupee securities from ₹55.38 billion in 2012-13 to ₹480.45 billion in 2013-14 (as yields generally hardened in 2013-14 as compared with the previous financial year).

XII.13 The net interest income from LAF and MSF increased from ₹64.90 billion in 2012-13 to ₹76.47 billion in 2013-14, largely on account of (i) increase in the MSF rate by 200 bps in July 2013 and (ii) significant portion of LAF borrowings being made through term repo window at rates higher than the prevailing repo rate.

XII.14 Interest income received on account of WMA/OD from the Centre for July 2013-June 2014 period stood higher at ₹3.22 billion as compared to ₹0.67 billion for the corresponding period during 2012-13. With the Centre availing of WMA for 52 days and OD for 10 days during the year as compared to WMA for 27 days and no OD in the previous year. The monthly average utilisation of WMA/OD by the Centre was ₹299.4 billion in 2013-14 as against ₹98.1 billion in 2012-13.

**Table XII.13: Earnings from Domestic Sources**

(₹ billion)

Item	Year ended		Variation	
	June 30, 2013	June 30, 2014	Absolute	Per cent
1	2	3	4	5
<b>Domestic Assets</b>	8,659.35	8,664.04	4.65	0.05
<b>Weekly Average of Domestic Assets</b>	<b>7,724.84</b>	<b>8,694.77</b>	<b>969.95</b>	<b>12.56</b>
<b>Earnings (I + II+III)</b>	<b>536.11</b>	<b>448.49</b>	<b>(-)87.62</b>	<b>(-)16.34</b>
<b>I. Interest and other Securities Related Income</b>				
i) Profit on Sale of Securities	85.47	331.37	245.90	287.70
ii) Net Interest on LAF operations	64.79	59.02	(-)5.77	(-)8.90
iii) Interest on MSF operations	0.11	17.45	17.34	15763.64
iv) Interest on holding of Domestic Securities	408.68	470.53	61.85	15.13
v) Depreciation	55.38	480.45	425.07	767.55
<b>Total (i+ii+iii+iv-v)</b>	<b>503.67</b>	<b>397.92</b>	<b>(-)105.75</b>	<b>(-)21.00</b>
<b>II. Interest on Loans and Advances</b>				
i) To Government (Central & States)	1.26	3.88	2.63	208.73
ii) To Banks & Financial Institutions	17.65	33.10	15.45	87.54
iii) To Employees	0.48	0.48	0.00	0.0
<b>Total (i+ii+iii)</b>	<b>19.39</b>	<b>37.46</b>	<b>18.07</b>	<b>93.19</b>
<b>III. Other Earnings</b>				
i) Discount	0.28	0.01	(-)0.27	(-)96.43
ii) Exchange	-	-	-	-
iii) Commission	11.13	12.57	1.44	12.94
iv) Rent realised, Profit or Loss on sale of Bank's property and Provisions no longer required.	1.64	0.53	(-)1.12	(-)68.29
<b>Total (i+ii+iii+iv)</b>	<b>13.04</b>	<b>13.11</b>	<b>0.06</b>	<b>0.46</b>



XII.15 As regards the States, the interest towards WMA/OD recovered for July 2013-June 2014 period was ₹0.66 billion as compared to ₹0.59 billion during 2012-13. This is attributable to marginally higher monthly average utilisation of WMA/OD by the States at ₹58.34 billion in 2013-14 as against ₹54.57 billion in 2012-13.

### Expenditure

XII.16 The Reserve Bank incurs expenditure in the course of performing its statutory functions by way of agency charges/commission, security printing charges, expenses on remittance of treasure besides staff related and other expenses. The total expenditure of the Reserve Bank decreased by 4.9 per cent from ₹125.49 billion in 2012-13 to ₹119.34 billion in 2013-14. The expenditure is broadly categorised into three sub-groups; viz., Interest Payment, Establishment Expenditure and Non-establishment Expenditure. The break-up of the major heads of expenditure is provided in Table XII.14.

#### i) Interest Payment

Interest paid during the year - representing the Bank's contribution by way of half-yearly interest credited to the employee welfare funds

**Table XII.14: Expenditure**

Item	(₹ billion)				
	2009-10	2010-11	2011-12	2012-13	2013-14
1	2	3	4	5	6
I. Interest Payment	0.01	0.55	0.59	0.03	0.04
II. Establishment	19.87	23.01	29.93	58.59	43.24
III. Non-establishment	64.15	62.99	70.85	66.87	76.06
<i>of which:</i>					
(a) Agency charges/commission	28.55	30.12	33.51	28.07	33.25
(b) Security printing charges	27.54	23.76	27.04	28.72	32.14
(c) Others	8.06	9.11	10.3	10.08	10.67
<b>Total (I+II+III)</b>	<b>84.03</b>	<b>86.55</b>	<b>101.37</b>	<b>125.49</b>	<b>119.34</b>

viz. Medical Assistance Fund (MAF) and Dr B.R. Ambedkar Fund, had risen marginally from ₹0.03 billion in 2012-13 to ₹0.04 billion in 2013-14.

#### ii) Establishment Expenditure

The establishment expenses decreased by 26.2 per cent from ₹58.59 billion in 2012-13 to ₹43.24 billion in 2013-14. This can be attributed to decrease in the contribution towards accrued liabilities of the gratuity and superannuation fund and other funds based on the actuarial valuation. The contribution for the year 2013-14 was ₹18.09 billion as against ₹35.32 billion in the previous year. The Bank's Investments equivalent to the balances in Provident Fund, Gratuity & Superannuation Fund and Leave Encashment Fund have been ear-marked for these Funds. Provident Fund and Gratuity & Superannuation Fund are held as 'Deposits' with the Bank. Leave Encashment liability is included under 'Other Liabilities'.

#### iii) Non-Establishment Expenditure

##### a) Agency Charges

There are four types of expenses booked under 'Agency Charges' as outlined in Table XII.15.

**Table XII.15: Agency Charges**

1	(₹ million)	
	2012-13	2013-14
1	2	3
Agency Commission on Government Transactions	27,264.39	27,813.97
Underwriting Commission paid to the Primary Dealers	218.65	4,811.98
Sundries (Handling charges paid to banks for Relief/Savings Bonds subscriptions)	1.11	0.42
Fees paid to the External Asset Managers ,custodians etc.	582.38	628.11
<b>Total</b>	<b>28,066.53</b>	<b>33,254.47</b>

*Agency Commission paid to banks*

The Reserve Bank discharges the function of banker to the government through a large network of agency bank branches that serve as retail outlets for government transactions. The Reserve Bank pays commission to these agency banks at prescribed rates which were revised with effect from July 01, 2012. The agency commission paid to these banks on account of Government business for the year 2013-14 was ₹27.81 billion as compared with ₹27.26 billion for the year 2012-13, an increase of 2.02 per cent reflecting the growth in the volume of government business.

*Underwriting Commission Fees paid to the Primary Dealers (PDs)*

The expenditure on underwriting commission increased substantially as PDs quoted higher underwriting commission rates in view of adverse market conditions during the first half of the year.

*Fees paid to the External Asset Managers, custodians etc.*

Fees amounting to ₹0.63 billion were paid in 2013-14 to the external asset managers,

custodians etc., who are entrusted with the management of a small portion of the Reserve Bank's foreign exchange reserves as against ₹0.58 billion in 2012-13.

*b) Security printing*

The expenditure incurred on security printing charges (primarily for printing of currency notes) increased by 11.9 per cent from ₹28.72 billion in 2012-13 to ₹32.14 billion in 2013-14. This rise was mainly on account of an increase of 15.14 per cent in the total supply of banknote forms and a marginal increase in rates quoted by the Bharatiya Reserve Bank Note Mudran Pvt. Ltd. (BRBNMPL) for the currency notes supplied by them.

*c) Others*

Other non-establishment expenses consisting of the expenditure on account of remittance of treasure, printing and stationery, audit fees and related expenses, miscellaneous expenses, etc. increased marginally from ₹10.08 to ₹10.67 billion. An amount of ₹24.22 million was paid for audit fees and expenses during 2013-14 as fees and expenses for statutory audit, concurrent audit and special

**Table XII.16: Trends in Gross Income, Expenditure and Net Disposable Income**

(₹ billion)

Item	2009-10	2010-11	2011-12	2012-13	2013-14
1	2	3	4	5	6
a) Gross Income	328.84	370.70	531.76	743.58	646.17
b) Transfers to Internal Reserves (i+ii)	57.18	134.02	270.25	287.94	0.00
(i) Contingency Reserve	51.68	121.67	246.77	262.47	0.00
(ii) Asset Development Reserve	5.50	12.35	23.48	25.47	0.00
c) Net Income (a-b)	271.66	236.68	261.51	455.63	646.17
d) Total Expenditure	84.03	86.55	101.37	125.49	119.34
e) Net Disposable Income (c-d)	187.63	150.13	160.14	330.14	526.83
f) Transfer to funds*	0.04	0.04	0.04	0.04	0.04
g) Surplus transferred to the Government (e-f)	187.59	150.09	160.10	330.10	526.79
Transfer of Surplus to Government as per cent of Gross Income less Total Expenditure	76.6	52.8	37.2	53.4	99.99

\* : An amount of ₹10 million each has been transferred to the National Industrial Credit (Long Term Operations) Fund, the National Rural Credit (Long Term Operations) Fund, the National Rural Credit (Stabilisation) Fund and the National Housing Credit (Long Term Operations) Fund during each of the five years.

audit for various purposes conducted in the Bank. Miscellaneous expenses mainly include contributions to various academic, training institutes, etc.

The trends over the last five years in Income, Expenditure and Net Disposable Income have been indicated in Table XII.16.

*The previous year's figures have been regrouped / reclassified, wherever necessary, to conform to the current year's presentation.*

### **Auditors**

The statutory auditors of the Bank are appointed by the Central Government in terms of section 50 of the RBI Act, 1934. The accounts of the Reserve Bank for the year 2013-14 were audited by M/s. Haribhakti & Co. LLP, Mumbai and M/s CNK & Associates, LLP, Mumbai as the Statutory Central Auditors and M/s. S.K. Mehta & Co., New Delhi, M/s. P.K.F. Sridhar & Santhanam & Co., Chennai and M/s Lodha & Co., Kolkata as the Statutory Branch Auditors.