

XI

THE RESERVE BANK'S ACCOUNTS FOR 2008-09

The balance sheet of the Reserve Bank for the year ended June 30, 2009 reflected the impact of liquidity augmenting measures adopted by the Reserve Bank to deal with the contagion from the global economic crisis. Unlike the significant expansion in the balance sheets of the central banks of several advanced economies that resulted from their policy responses to the crisis, the behaviour of the Reserve Bank's balance sheet was distinctly different since specific measures, such as reduction in CRR and unwinding of Government's MSS balances implied corresponding contraction in the Reserve Bank's liabilities, even as both measures were the key channels for injecting large liquidity to the financial system. Thus, through contraction in the balance sheet size, the Reserve Bank could expand the availability of liquidity. On the asset side of the balance sheet also, the contraction was driven by the decline in foreign assets. Even though domestic assets expanded because of OMOs and accommodation of liquidity needs of select Indian financial institutions, on account of large and sustained reverse repo operations, the net effect also contributed to the decline in the size of the balance sheet. During the year, gross income and expenditure of the Reserve Bank were at Rs.60,731.98 crore and Rs.8,217.88 crore, respectively; after meeting the allocation needs for both the Contingency Reserve (CR) and the Asset Development Reserve (ADR), Rs.25,009 crore was allocated for transferring to the Government. Earnings from foreign and domestic sources were at Rs.50,796.21 crore and Rs.9,935.77 crore, respectively.

INCOME AND EXPENDITURE

XI.1 The key financial results of the Reserve Bank's operations during the year 2008-09 are presented in this Chapter.

XI.2 The gross income, expenditure, appropriations and net disposable income of the Reserve Bank for the last five years are furnished below (Table 11.1).

Table 11.1: Trends in Gross Income, Expenditure and Net Disposable Income

(Rupees crore)

Item	2004-05	2005-06	2006-07	2007-08	2008-09
1	2	3	4	5	6
Total Income (Gross)	19,028.28	26,320.31	41,039.73 (75,348.33) #	57,750.79	60,731.98
Less transfer to:					
(i) Contingency Reserve	6,125.92	10,936.42	20,488.97	33,430.74	26,191.40
(ii) Asset Development Reserve	687.09	1,126.79	1,971.51	3,207.92	1,309.70
Total (i + ii)	6,813.01	12,063.21	22,460.48	36,638.66	27,501.10
Total Income (Net)	12,215.27	14,257.10	18,579.25 (52,887.85) #	21,112.13	33,230.88
Total Expenditure	6,811.27	5,849.10	7,164.25	6,097.13	8,217.88
Net Disposable Income	5,404.00	8,408.00	11,415.00 (45,723.60) #	15,015.00	25,013.00
Less : Transfer to Funds *	4.00	4.00	4.00	4.00	4.00
Transfer of surplus to the Government	5,400.00	8,404.00	11,411.00 (45,719.60) #	15,011.00	25,009.00

: Figures in parentheses indicate amounts including profit on sale of shares of the State Bank of India (SBI) divested on June 29, 2007.

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

Table 11.2: Gross Income

(Rupees crore)

Item	2004-05	2005-06	2006-07	2007-08	2008-09
1	2	3	4	5	6
A. Foreign Sources					
Interest, Discount, Exchange	16,979.47	24,538.03	35,152.99	51,883.27	50,796.21
B. Domestic Sources					
(i) Interest	1,607.34	1,207.04	5,144.52	4,958.35	9,056.27
(ii) Profit on sale of investment in shares of SBI	-	-	34,308.60	-	-
(iii) Other Earnings	441.47	575.24	742.22	909.17	879.50
Total : [(i)+(ii)+(iii)]	2,048.81	1,782.28	40,195.34 (5,886.74)	5,867.52	9,935.77
C. Total Income (Gross) (A+B)	19,028.28	26,320.31	75,348.33 (41,039.73)	57,750.79	60,731.98

Note : Figures in parentheses indicate the amount excluding profit on sale of shares in SBI of Rs.34,308.60 crore.

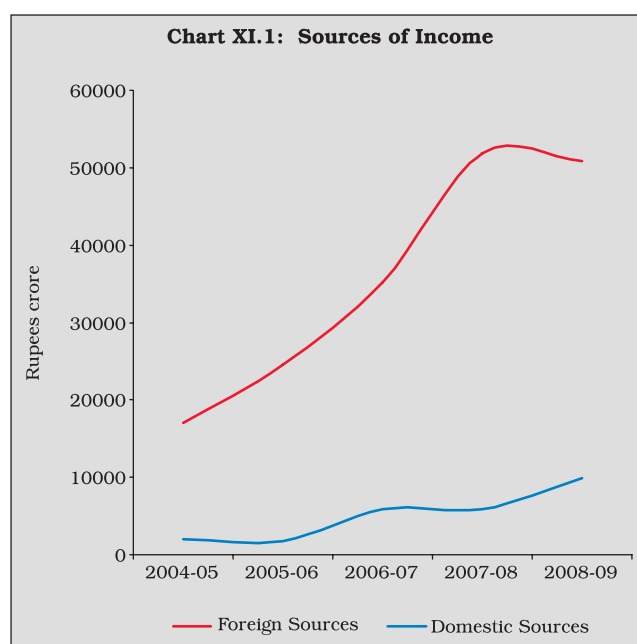
Surplus Transferable to the Government of India

XI.3 The surplus transferable to the Government of India for the year 2008-09 amounted to Rs.25,009.00 crore, including Rs.1,436.00 crore towards the interest differential on special securities converted into marketable securities for compensating the Government for the difference in interest expenditure which the Government had to bear consequent on conversion of such special securities.

INCOME

XI.4 The gross income of the Reserve Bank for the year 2008-09 was Rs.60,731.98 crore as against Rs.57,750.79 crore in 2007-08 and registered an increase of 5.16 per cent over the previous year. This was mainly on account of increase in income from the domestic sources. Income from the domestic sources increased by 69.34 per cent during the year (Table 11.2 and Chart XI.1).

XI.5 The share of transfer to the Contingency Reserve, the Asset Development Reserve and the surplus transferred to the Government as a percentage to the total income is given in Table 11.3.



Earnings from Foreign Sources

XI.6 The Reserve Bank's earnings from the deployment of foreign currency assets and gold decreased by Rs.1,087.06 crore (2.10 per cent) from Rs.51,883.27 crore in 2007-08 to Rs.50,796.21 crore in 2008-09 (Table 11.4). This was mainly on account of fall in interest rates in the international markets. Before accounting for mark-to-market depreciation on securities, the rate of earnings on foreign currency assets and gold

Table 11.3: Contingency and Asset Development Reserves and Surplus Transfer to the Government

(Rupees crore)

Item	2004-05	2005-06	2006-07	2007-08	2008-09
1	2	3	4	5	6
Total Income (Gross)	19,028.28	26,320.31	41,039.73 *	57,750.79	60,731.98
Transfer to Contingency Reserve	6,125.92 (32.19)	10,936.42 (41.55)	20,488.97 (49.92)	33,430.74 (57.89)	26,191.40 (43.13)
Transfer to Asset Development Reserve	687.09 (3.61)	1,126.79 (4.28)	1,971.51 (4.80)	3,207.92 (5.55)	1,309.70 (2.16)
Transfer of Surplus to the Government	5,400.00 (28.38)	8,404.00 (31.93)	11,411.00 *	15,011.00 (25.99)	25,009.00 (41.18)

* : Excluding profit on account of sale of shares of SBI.

Note : Figures in parentheses indicate proportion to the total income.

was 4.24 per cent in 2008-09 as against 5.09 per cent in 2007-08. The rate of earnings on foreign currency assets and gold, after accounting for depreciation, decreased from 4.82 per cent in 2007-08 to 4.16 per cent in 2008-09.

Earnings from Domestic Sources

XI.7 The income from domestic sources in 2008-09 at Rs.9,935.77 crore was higher as compared with the last year's level at Rs.5,867.52 crore. The higher income is primarily on account

Table 11.4: Earnings from Foreign Sources

(Rupees crore)

Item	As on		Variation	
	June 30, 2008	June 30, 2009	Absolute	Per cent
1	2	3	4	5
Foreign Currency Assets (FCA)	12,98,552.05	12,17,541.80	(-) 81,010.25	(-) 6.24
Gold	39,548.32	46,914.09	7,365.77	18.62
Special Drawing Rights (SDR)	47.57	2.48	(-) 45.09	(-) 94.79
Reserve Position in the IMF*	2,268.53	5,973.89	3,705.36	163.34
Total Foreign Exchange Reserves (FER)	13,40,416.47	12,70,432.26	(-) 69,984.21	(-) 5.22
Average FCA	10,75,984.86	12,19,693.16	1,43,708.30	13.36
Earnings (Interest, Discount, Exchange gain / loss, Capital gain / loss on securities) [a]	54,715.15	51,688.38	(-) 3,026.77	(-) 5.53
Depreciation on Securities [b]	2,831.88	892.17	(-) 1,939.71	(-) 68.50
Earnings Net of Depreciation [a-b]	51,883.27	50,796.21	(-) 1,087.06	(-) 2.10
<i>Memo :</i>				
Unrealised appreciation on Securities	2,122.72	10,896.95	8,774.23	413.35
Earnings as percentage of Average FCA	5.09	4.24	-	-
Earnings (net of depreciation) as percentage of Average FCA	4.82	4.16	-	-

* : Reserve 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 11.5: Earnings from Domestic Sources

(Rupees crore)

Item	As on		Variation	
	June 30, 2008	June 30, 2009	Absolute	Per cent
1	2	3	4	5
Domestic Assets	1,64,431.13	1,90,652.64	26,221.51	15.95
Weekly Average of Domestic Assets	1,06,412.90	1,72,220.65	65,807.75	61.84
Earnings	5,867.52	9,935.77	4,068.25	69.34
<i>of which:</i>				
<i>Interest and Other Income</i>	4,958.35	9,056.27	4,097.92	82.65
(i) Profit on Sale of Securities	7,089.80	16,500.32	9,410.52	132.73
(ii) Interest on Securities [a - b]	(-) 2,514.19	(-) 8,747.54	(-) 6,233.35	(-) 247.93
<i>of which</i>				
(a) Interest on Domestic Securities, LAF operations and Dividend	4,533.87	8,683.11	4,149.24	91.52
(b) Depreciation on Securities	7,048.06	17,430.65	10,382.59	147.31
(iii) Interest on Loans and Advances	325.60	1,254.80	929.20	285.38
(iv) Other Interest Receipts	57.14	48.69	(-) 8.45	(-) 14.79
<i>Other Earnings</i>	909.17	879.50	(-) 29.67	(-) 3.26
(i) Discount	-	-	-	-
(ii) Exchange	0.01	0.01	0.00	0.00
(iii) Commission	521.19	778.12	256.93	49.30
(iv) Rent realised and others	387.97	101.37	(-) 286.60	(-) 73.87
<i>Memo:</i>				
Earnings in percentage terms (on average domestic assets)	5.51	5.77	-	-

of increase in 'Interest on Domestic Securities and LAF operations' which increased from Rs.4,533.87 crore in 2007-08 to Rs.8,683.11 crore in 2008-09 and 'Interest on Loans and Advances' which increased from Rs.325.60 crore in 2007-08 to Rs.1,254.80 crore in 2008-09 (Table 11.5).

EXPENDITURE

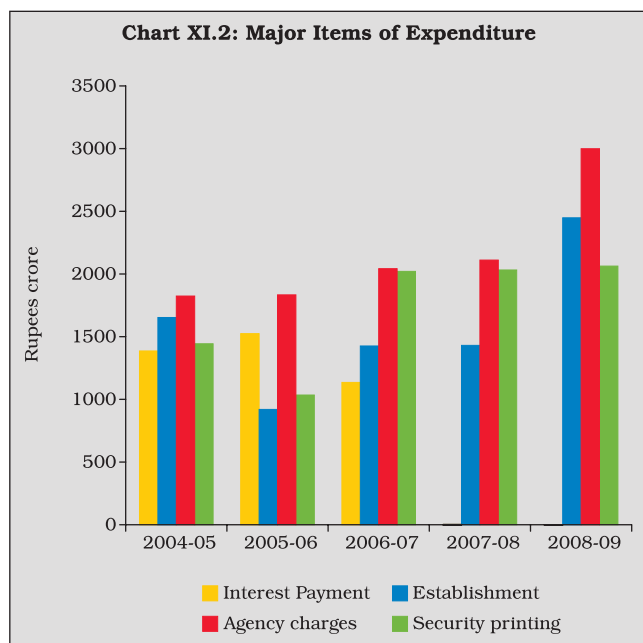
XI.8 Total expenditure of the Reserve Bank increased by Rs.2,120.75 crore (34.78 per cent) from Rs.6,097.13 crore in 2007-08 to Rs.8,217.88 crore in 2008-09 (Table 11.6 and Chart XI.2).

Table 11.6: Expenditure

(Rupees crore)

Item	2004-05	2005-06	2006-07	2007-08	2008-09
1	2	3	4	5	6
I. Interest Payment	1,386.28	1,524.41	1,135.38	2.58	1.33
<i>of which:</i>					
Scheduled Banks	1,276.83	1,523.72	1,134.85	1.90 *	0.00 *
II. Establishment	1,653.17	919.88	1,425.81	1,430.87	2,448.25
III. Non-Establishment	3,771.82	3,404.81	4,603.06	4,663.68	5,768.30
<i>of which:</i>					
a) Agency charges	1,824.17	1,833.55	2,042.50	2,111.14	2,999.19
b) Security printing	1,443.57	1,034.86	2,020.89	2,032.23	2,063.17
Total [I+II+III]	6,811.27	5,849.10	7,164.25	6,097.13	8,217.88

* : Pursuant to amendment to the Reserve Bank of India Act, 1934, interest payable on eligible CRR balances was withdrawn with effect from fortnight beginning March 31, 2007.



Establishment Expenditure

XI.9 Establishment expenditure for the year 2008-09 was at Rs.2,448.25 crore as compared with Rs.1,430.87 crore during the year 2007-08 and showed an increase of Rs.1,017.38 crore (71.10 per cent). Establishment expenditure also includes provision towards Gratuity and Superannuation Fund and Leave Encashment Fund (Retiring employees) of Rs.1,037.92 crore (previous year Rs.221.02 crore). The increase in provision is mainly on account of enhancement of long term employee benefits. Salaries accounted for 17.39 per cent of the total establishment expenditure whereas allowances were 15.34 per cent and the other miscellaneous expenses were 23.41 per cent of the total establishment expenditure. The expenditure towards various funds (*i.e.*, Provident Fund, Gratuity and Superannuation Fund, *etc.*) constituted 43.86 per cent of the total establishment expenditure.

Non-Establishment Expenditure

XI.10 The expenditure incurred on security printing charges (cheques, note forms, *etc.*) in 2008-09 increased by Rs.30.94 crore (1.52 per cent) to Rs.2,063.17 crore from Rs.2,032.23 crore in 2007-08. Although the supply of banknotes in

2008-09 declined marginally by 269 million pieces from 13,930 million pieces in 2007-08 to 13,661 million pieces in 2008-09, the marginal increase in expenditure on security printing was on account of moderate increase in prices of banknotes. The amount of agency charges paid during 2008-09 was Rs.2,999.19 crore as against Rs.2,111.14 crore during 2007-08. The increase of Rs.888.05 crore was attributed to: (a) increase in the amount of underwriting commission paid to the Primary Dealers at Rs.249.45 crore in 2008-09 as against Rs.18.33 crore in 2007-08 in the context of large increase in the borrowing size of the Government of India and (b) increase in the agency commission from Rs.2,092.81 crore in 2007-08 to Rs.2,749.74 crore in 2008-09 largely due to rise in the volume of Government transactions conducted by the agency banks.

BALANCE SHEET

LIABILITIES

National Industrial Credit (Long-Term Operations) Fund

XI.11 The National Industrial Credit (Long-Term Operations) Fund was established by the RBI under Section 46 C of the Reserve Bank of India Act, 1934 on July 1, 1964. During 2008-09, there were no operations in the Fund except the credit of Rs.1.00 crore out of the Reserve Bank's surplus.

National Housing Credit (Long Term Operations) Fund

XI.12 The National Housing Credit (Long Term Operations) Fund was established by the Reserve Bank in terms of Section 46 D (1) of the Reserve Bank of India Act, 1934 in January 1989. A token contribution of Rs.1.00 crore was made to the Fund out of the Reserve Bank's surplus during 2008-09.

Deposits - Banks

XI.13 'Deposits - Banks' represent balances maintained by banks in their current accounts with the Reserve Bank for maintaining Cash Reserve

Ratio and as working funds for meeting payment requirements.

Deposits - Others

XI.14 'Deposits - Others' include deposits from financial institutions, employees' provident fund deposits and sundry deposits.

Other Liabilities

XI.15 'Other Liabilities' include the internal reserves and provisions of the Reserve Bank, Currency and Gold Revaluation Account (CGRA) and surplus pending transfer to the Government. The balance in 'Other Liabilities' increased by Rs.72,739.45 crore (22.52 per cent) from Rs.3,22,968.10 crore as on June 30, 2008 to Rs.3,95,707.55 crore as on June 30, 2009, mainly on account of increase in the level of Currency and Gold Revaluation Account (CGRA).

XI.16 The Contingency Reserve and the Asset Development Reserve reflected in 'Other Liabilities' are in addition to the 'Reserve Fund' of Rs.6,500.00 crore held by the Reserve Bank as a distinct balance sheet head.

Currency and Gold Revaluation Account (CGRA) and Exchange Equalisation Account (EEA)

XI.17 Gains / losses on valuation of foreign currency assets and gold due to movements in the exchange rates and / or prices of gold are not taken to the Profit and Loss Account but instead booked under a balance sheet head named as the Currency and Gold Revaluation Account (CGRA). The balance represents accumulated net gain on valuation of foreign currency assets and gold. During 2008-09, there was an accretion of Rs.35,630.20 crore in CGRA, thus increasing its balance from Rs.1,63,211.83 crore as on June 30, 2008 to Rs.1,98,842.03 crore as on June 30, 2009. The increase in CGRA was on account of net effect of depreciation of other currencies against the US dollar, depreciation of Indian rupee against the US dollar and increase in the price of gold. The balance

Table 11.7: Balances in Currency and Gold Revaluation Account and Exchange Equalisation Account

(Rupees crore)

As on June 30	Currency and Gold Revaluation Account	Exchange Equalisation Account
1	2	3
2005	26,906.21	0.50
2006	86,789.18	3.28
2007	21,723.52	9.68
2008	1,63,211.83	-
2009	1,98,842.03	26.98

in the Exchange Equalisation Account (EEA) represents provision made for exchange losses arising out of forward commitments. The balance in EEA as on June 30, 2009 stood at Rs.26.98 crore (Table 11.7)

Contingency Reserve and Asset Development Reserve

XI.18 The Reserve Bank maintains a Contingency Reserve (CR) to enable it to absorb unexpected and unforeseen contingencies. With a transfer of Rs.26,191.40 crore to CR during 2008-09 from the Reserve Bank's income, the balance in CR increased to Rs.1,53,392.21 crore as on June 30, 2009 from Rs.1,27,200.81 crore as on June 30, 2008. The balance in CR is sufficient to meet the contingent liabilities.

XI.19 To meet the internal capital expenditure and make investments in its subsidiaries and associate institutions, the Reserve Bank had created a separate Asset Development Reserve (ADR) in 1997-98 with the aim of reaching one per cent of the Reserve Bank's total assets within the overall indicative target of 12 per cent set for CR and ADR. In the year 2008-09, an amount of Rs.1,309.70 crore was transferred from income to ADR, raising its level from Rs.12,772.25 crore as on June 30, 2008 to Rs.14,081.95 crore as on June 30, 2009. CR and ADR together constituted 11.89 per cent of the total assets of the Bank as on June 30, 2009 (Table 11.8). ADR now accounts for one per cent of the assets of the Bank.

Table 11.8: Balances in Contingency Reserve and Asset Development Reserve

(Rupees crore)

As on June 30	Balance in CR	Balance in ADR	Total	Percentage to total assets
1	2	3	4(2+3)	5
2005	62,344.68	6,466.03	68,810.71	10.08
2006	73,281.10	7,592.82	80,873.92	10.00
2007	93,770.07	9,564.33	1,03,334.40	10.31
2008	1,27,200.81	12,772.25	1,39,973.06	9.57
2009	1,53,392.21	14,081.95	1,67,474.16	11.89

ASSETS**Foreign Currency Assets**

XI.20 The foreign currency assets comprise foreign securities held in the Issue Department, balances held abroad and investments in foreign securities held in the Banking Department. These assets declined by Rs.81,010.25 crore from Rs.12,98,552.05 crore as on June 30, 2008 to Rs.12,17,541.80 crore as on June 30, 2009. The decrease in the level of foreign currency assets was mainly on account of net sales of US dollars in the domestic foreign exchange market (Table 11.9 and Chart XI.3).

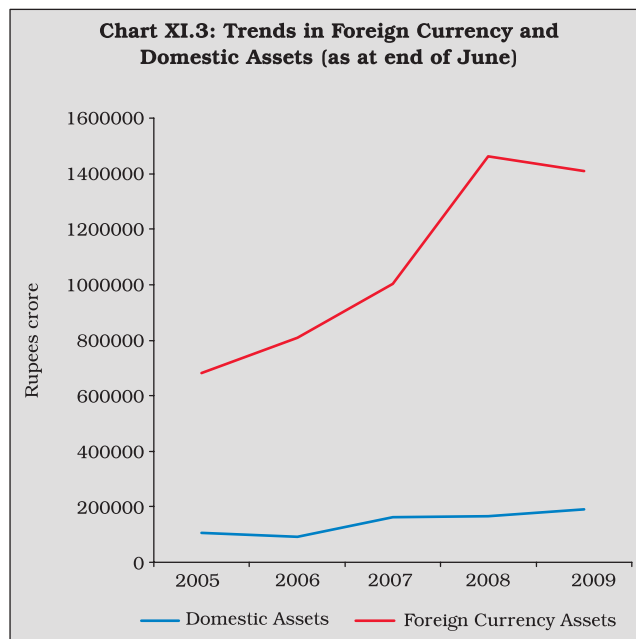
Investment in Government of India Rupee Securities

XI.21 Without adjusting for transfer of securities under the Liquidity Adjustment Facility (LAF) operations, the investment in Government of India securities increased by Rs.1,26,086.86 crore from Rs.72,540.33 crore as on June 30, 2008 to

Table 11.9: Outstanding Foreign Currency and Domestic Assets

(Rupees crore)

As on June 30	Foreign Currency Assets	Domestic Assets
1	2	3
2005	5,75,863.66	1,06,952.94
2006	7,18,701.18	90,106.99
2007	8,39,878.79	1,62,058.59
2008	12,98,552.05	1,64,431.13
2009	12,17,541.80	1,90,652.64



Rs.1,98,627.19 crore as on June 30, 2009. The increase was on account of purchase of special securities from the oil marketing companies (*i.e.* the Oil Bonds) under the Special Market Operations and increase in the open market operations.

Investments in Shares of Subsidiaries and Associate Institutions

XI.22 There was no change in the Reserve Bank's investments in the shares of its subsidiaries and associate institutions during the year (Table 11.10).

Table 11.10: Investments in Shares of Subsidiaries/Associate Institutions

(Rupees crore)

Institution	Book value of shares held as on	
	June 30, 2008	June 30, 2009
1	2	3
1. Deposit Insurance and Credit Guarantee Corporation	50.00	50.00
2. National Bank for Agriculture and Rural Development	1,450.00	1,450.00
3. National Housing Bank	450.00	450.00
4. Bharatiya Reserve Bank Note Mudran (Pvt.) Ltd.	800.00	800.00
Total	2,750.00	2,750.00

Other Assets

XI.23 'Other Assets' comprise income accrued but not received, fixed assets, gold holdings in the Banking Department, amounts spent on projects pending completion and staff advances. The level of 'Other Assets' increased by Rs.332.80 crore from Rs.30,805.95 crore as on June 30, 2008 to Rs.31,138.75 crore as on June 30, 2009.

Auditors

XI.24 The accounts of the Reserve Bank for the year 2008-09 were audited by M/s. Kalyaniwalla & Mistry, Mumbai and M/s. Mukund M. Chitale & Co. Mumbai as the Statutory Central Auditors. The branch offices were audited by the Statutory Branch Auditors, namely, M/s. Basant Ram & Sons, New Delhi, M/s. Ved Prakash Agrawal & Co., Nagpur, M/s. G. Natesan & Co., Chennai and M/s. S. K. Basu & Co., Kolkata. The auditors were appointed by the Central Government.

RESERVE BANK OF INDIA
BALANCE SHEET AS AT 30TH JUNE 2009
ISSUE DEPARTMENT

(Rupees thousands)

2007-08	LIABILITIES	2008-09	2007-08	ASSETS	2008-09
16,22,71 612323,93,51	Notes held in the Banking Department Notes in Circulation 21,25,80 701655,32,71		32308,81,20 – 578878,86,61	Gold Coin and Bullion: (a) Held in India (b) Held outside India Foreign Securities 38326,27,06 – 662064,41,42	
612340,16,22	Total Notes issued	701676,58,51	611187,67,81 106,05,41 1046,43,00 –	Total Rupee Coin Government of India Rupee Securities Internal Bills of Exchange and other Commercial Paper	700390,68,48 239,47,03 1046,43,00 –
612340,16,22	Total Liabilities	701676,58,51	612340,16,22	Total Assets	701676,58,51
BANKING DEPARTMENT					
2007-08	LIABILITIES	2008-09	2007-08	ASSETS	2008-09
5,00,00 6500,00,00	Capital paid-up Reserve Fund	5,00,00 6500,00,00	16,22,71 3,57 6,23	Notes Rupee Coin Small Coin	21,25,80 4,77 3,41
17,00,00	National Industrial Credit (Long Term Operations) Fund	18,00,00			
191,00,00	National Housing Credit (Long Term Operations) Fund	192,00,00			
	Deposits			Bills Purchased and Discounted :	
	(a) Government			(a) Internal	–
191626,05,59	(i) Central Government	22990,42,88	–	(b) External	–
41,31,39	(ii) State Governments	41,34,50	–	(c) Government Treasury Bills	–
	(b) Banks				
298809,97,22	(i) Scheduled Commercial Banks	250664,49,62	688343,34,97	Balances Held Abroad	512320,77,65
4122,66,68	(ii) Scheduled State Co-operative Banks	3520,91,11			
5186,27,25	(iii) Other Scheduled Co-operative Banks	3489,08,20	129208,79,55	Investments	151675,42,39
63,20,69	(iv) Non-Scheduled State Co-operative Banks	67,07,47			
8699,14,56	(v) Other Banks	6671,76,11		Loans and Advances to :	
12110,22,52	(c) Others	16475,59,86	–	(i) Central Government	–
			–	(ii) State Governments	–
319,29,20	Bills Payable	195,86,03	2102,14,00	Loans and Advances to:	
			–	(i) Scheduled Commercial Banks	280,00,00
			–	(ii) Scheduled State Co-operative Banks	–
			–	(iii) Other Scheduled Co-operative Banks	–
			–	(iv) Non-Scheduled State Co-operative Banks	–
			–	(v) NABARD	–
			132,68,98	(vi) Others	11102,82,48
322968,10,34	Other Liabilities	395707,55,24		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:	
			50,00,00	(a) Loans and Advances to National Housing Bank	–
			–	(b) Investments in bonds/ debentures issued by National Housing Bank	–
			30805,95,43	Other Assets	31138,74,52
850659,25,44	Total Liabilities	706539,11,02	850659,25,44	Total Assets	706539,11,02

Significant Accounting Policies and Notes to the Accounts as per the Annex.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2009

(Rupees thousands)

2007-08	INCOME	2008-09
21112,12,68	Interest, Discount, Exchange, Commission <i>etc.</i> ¹	33230,88,41
21112,12,68	Total	33230,88,41
	EXPENDITURE	
2,58,19	Interest	1,32,87
1430,86,61	Establishment	2448,25,15
1,79,12	Directors' and Local Board Members' Fees and Expenses	1,66,90
30,56,42	Remittance of Treasure	32,45,84
2111,13,56	Agency Charges	2999,19,46
2032,23,04	Security Printing (Cheque, Note forms <i>etc.</i>)	2063,16,97
16,29,01	Printing and Stationery	20,63,03
38,60,16	Postage and Telecommunication Charges	52,69,10
69,17,25	Rent, Taxes, Insurance, Lighting <i>etc.</i>	85,87,49
2,01,16	Auditors' Fees and Expenses	2,26,68
2,13,64	Law Charges	2,32,80
156,16,54	Depreciation and Repairs to Bank's Property	234,56,38
203,57,98	Miscellaneous Expenses	273,45,74
6097,12,68	Total	8217,88,41
15015,00,00	Available Balance	25013,00,00
	Less: Contribution To:	
	National Industrial Credit (Long Term Operations) Fund	1,00,00
	National Rural Credit (Long Term Operations) Fund ²	1,00,00
	National Rural Credit (Stabilisation) Fund ²	1,00,00
	National Housing Credit (Long Term Operations) Fund	1,00,00
4,00,00		4,00,00
15011,00,00	Surplus Payable to the Central Government	25009,00,00

1. After making the usual or necessary provisions in terms of Section 47 of the Reserve Bank of India Act, 1934 amounting to Rs. 27501,09,93 thousands (2007-08: Rs. 36638,65,84 thousands).

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

S.V. Raghavan
Chief General Manager

K.C. Chakrabarty
Deputy Governor

Usha Thorat
Deputy Governor

Shyamala Gopinath
Deputy Governor

D. Subbarao
Governor

REPORT OF THE AUDITORS

TO THE PRESIDENT OF INDIA

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, 2009 and the Profit and Loss Account for the year ended on that date.

We have examined the Balance Sheet of the Bank as at June 30, 2009 and the Profit and Loss Account of the Bank for the year ended on that date and report that where we have called for information and explanations from the Bank, such information and explanations have been given to our satisfaction.

These financial statements include the accounts of nineteen Accounting Units of the Bank which have been audited by the Statutory Branch Auditors. The branch audit reports have been furnished to us which we have considered in preparing our report.

These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion and according to the best of our information and explanations given to us and as shown by the books of account of the Bank, the Balance Sheet read with Significant Accounting Policies and Notes to the Accounts is a full and fair Balance Sheet containing all necessary particulars and is properly drawn up in accordance with the Reserve Bank of India Act, 1934 and Regulations framed thereunder so as to exhibit a true and correct view of the state of the Bank's affairs in conformity with the accounting principles generally accepted in India.

For Kalyaniwalla & Mistry
Chartered Accountants
Daraius Z. Fraser
Partner
(M. No. 42454)

For Mukund M.Chitale & Co
Chartered Accountants
Abhay V. Kamat
Partner
(M.No. 39585)

Dated August 13, 2009

RESERVE BANK OF INDIA

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS FOR 2008-09

SIGNIFICANT ACCOUNTING POLICIES

1. 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.

2. REVENUE RECOGNITION

Income and expenditure are recognised on accrual basis except penal interest and dividend which are accounted for on receipt basis. Only realised gains are recognised.

Balances unclaimed and outstanding for more than three consecutive years in certain transitory 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 preceding week / preceding month / year-end rates as applicable.

3. GOLD AND FOREIGN CURRENCY ASSETS AND LIABILITIES

(a) Gold

Gold is revalued at the end of the month at 90 per cent of the daily average price quoted at London

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 adjusted to the Currency and Gold Revaluation Account (CGRA).

(b) Foreign Currency Assets and Liabilities

All foreign currency assets and liabilities are translated at the exchange rates prevailing on the last business day of the week as well as on the last business day of the month.

At the year end assets and liabilities in foreign currencies are translated at the exchange rates prevailing on the last business day except in cases where rates are contractually fixed. Foreign Securities other than Treasury Bills are valued at lower of book value or market price prevailing on the last business day of each month. The depreciation is adjusted against current income. Foreign Treasury Bills are valued at cost. Forward exchange contracts are evaluated half-yearly and net loss, if any, is provided for.

Exchange gains and losses arising from such translation of foreign currency assets and liabilities are accounted for in the Currency and Gold Revaluation Account and remain adjusted therein.

4. 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. 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. The depreciation in the value, if any, is adjusted against current interest income.

Treasury Bills are valued at cost.

5. SHARES

Investments in shares are valued at cost.

6. FIXED ASSETS

Fixed Assets are stated at cost less depreciation.

Depreciation on computers (including software costing Rs.1 lakh and above), motor vehicles, office equipments, furniture and electrical fittings, *etc.*, is provided on straight-line basis.

Depreciation on other assets including premises and fixtures is provided on written-down value basis.

Software costing less than Rs.1 lakh and other Fixed Assets costing less than Rs.10,000 are charged to the Profit and Loss Account in the year of acquisition.

Depreciation is provided on year end balances of the Fixed Assets.

7. EMPLOYEE BENEFITS

The liability on account of long term employee benefits is provided based on actuarial valuation.

8. CONTINGENCY RESERVE AND ASSET DEVELOPMENT RESERVE

The Contingency Reserve represents the amount set aside on a year-to-year basis for meeting unexpected and unforeseen contingencies including depreciation in value of securities, exchange guarantees and risks arising out of monetary/ exchange rate policy compulsions.

In order to meet the internal capital expenditure and make investments in subsidiaries and associate institutions, a further sum is provided and credited to the Asset Development Reserve.

NOTES TO THE ACCOUNTS

1. SURPLUS TRANSFER TO GOVERNMENT OF INDIA

Surplus transferable to the Government includes Rs.1,436.00 crore (previous year Rs.1,699.00

crore) representing interest differential pertaining to the period April 1, 2008 – March 31, 2009 on account of conversion of the Special Securities into marketable securities.

2. EARMARKED SECURITIES

The Reserve Bank has earmarked certain Government securities having a book value of Rs.8,849.97 crore (previous year Rs.7,202.24 crore) from its Investments Account to cover the liabilities in the Provident Fund, Gratuity and Superannuation Fund and Leave Encashment (Retiring Employees) Fund.

3. RESERVE FUND

Reserve Fund comprises initial contribution of Rs.5.00 crore made by the Government of India and appreciation of Rs.6,495.00 crore on account of revaluation of Gold up to October 1990. Subsequent gains / losses on monthly revaluation of Gold are taken to the Currency and Gold Revaluation Account (CGRA).

4. DEPOSITS

4.1 Deposits of Central Government include Rs.22,889.92 crore (previous year Rs.1,74,432.56 crore) on account of operations under the Market Stabilisation Scheme (MSS). Deposits of State Governments include balance of Government of the Union Territory of Puducherry.

4.2 DETAILS OF DEPOSITS – OTHERS

Particulars	(Rupees crore)	
	As on June 30	
	2008	2009
1	2	3
I. Rupee Deposits from the Foreign		
Central Banks and the Foreign		
Financial Institutions	4,266.24	3,758.94
II. Deposits from the Indian		
Financial Institutions	253.61	335.08
III. Accumulated Retirement Benefits	7,149.68	8,303.08
IV. Miscellaneous	440.70	4,078.50
Total	12,110.23	16,475.60

5. DETAILS OF OTHER LIABILITIES

(Rupees crore)

Particulars	As on June 30	
	2008	2009
1	2	3
I. Contingency Reserve		
Balance at the beginning of the year	93,770.07	1,27,200.81
Add: Accretion during the year	33,430.74	26,191.40
Balance at the end of the year	1,27,200.81	1,53,392.21
II. Asset Development Reserve		
Balance at the beginning of the year	9,564.33	12,772.25
Add: Accretion during the year	3,207.92	1,309.70
Balance at the end of the year	12,772.25	14,081.95
III. Currency and Gold Revaluation Account		
Balance at the beginning of the year	21,723.52	1,63,211.83
Add: Net Accretion (+) /	1,41,488.31	35,630.20
Net Depletion (-) during the year	-	-
Balance at the end of the year	1,63,211.83	1,98,842.03
IV. Exchange Equalisation Account		
Balance at the beginning of the year	9.68	-
Transfer from Exchange Account	21.69	26.98
Add: Net Accretion (+) /		
Net Utilisation (-) during the year	(-) 31.37	-
Balance at the end of the year	-	26.98
V. Provision for Outstanding Expenses	1,759.01	1,822.88
VI. Surplus transferable to the Government of India	15,011.00	25,009.00
VII. Employee Benefits Transitory Reserve	346.89	0.00
VIII. Miscellaneous	2,666.31	2,532.50
Total (I to VIII)	3,22,968.10	3,95,707.55

6. EMPLOYEE BENEFITS

In accordance with the Accounting Standard (AS) 15 – Employee Benefits (Revised), the liability for long term employee benefits has been ascertained under the ‘Projected Unit Credit’ method and provided for in the accounts.

Consequent to certain long term employee benefits being enhanced during the year, the revised past

service liability as on July 1, 2008 amounting to Rs.426.15 crore has been charged to the extent of Rs.346.89 crore against the balance available in the ‘Employee Benefits Transitory Reserve’ account and the balance amounting to Rs.79.26 crore to the Establishment Expenses.

7. RBI GENERAL ACCOUNT

‘Other Liabilities’ include Rs.7.61 crore (previous year Rs.61.49 crore) in respect of inter-office transactions and balances under reconciliation which are at various stages of reconciliation and necessary adjustments are being effected as and when reconciled.

8. RUPEE INVESTMENTS

Securities purchased (Repo) and sold (Reverse Repo) under the Liquidity Adjustment Facility (LAF) are added to and reduced from ‘Investments’, respectively. As at the year end, the outstanding Repos and Reverse Repos amounted to Rs.895.00 crore (previous year Rs.22,805.00 crore) and Rs.88,335.00 crore (previous year Rs.300.00 crore) respectively.

9. DETAILS OF FOREIGN CURRENCY ASSETS

(Rupees crore)

Particulars	As on June 30	
	2008	2009
1	2	3
I. Held in Issue Department	5,78,878.87	6,62,064.41
II. Held in Banking Department -		
a) Included in Investments	31,329.83	43,156.61
b) Balances Held Abroad	6,88,343.35	5,12,320.78
Total	12,98,552.05	12,17,541.80

Note : Uncalled amount on partly paid shares of the Bank for International Settlements (BIS) as at June 30, 2009 was Rs.89.47crore (SDR 1,20,41,250). The amount was Rs. 84.49 crore (SDR 1,20,41,250) in the previous year.

10. DETAILS OF OTHER ASSETS

(Rupees crore)

Particulars	As on June 30	
	2008	2009
1	2	3
I. Fixed Assets (net of accumulated depreciation)	479.75	609.40
II. Gold	7,239.51	8,587.82
III. Income accrued but not received	22,203.28	16,734.04
IV. Miscellaneous	883.41	5,207.49
Total	30,805.95	31,138.75

11. INTEREST, DISCOUNT, EXCHANGE, COMMISSION, etc.

Interest income is net of depreciation on revaluation of securities amounting to Rs.17,430.65 crore.

Interest, Discount, Exchange, Commission, etc. include the following:

(Rupees crore)

Particulars	Year ended	
	June 30, 2008	June 30, 2009
1	2	3
I. Profit on sale of Foreign and Rupee Securities	7,823.52	18,957.36
II. Net profit on sale of Bank's Property	25.10	7.36
III. Dividend from Subsidiaries & Associate Institutions@	440.07	-

@: Dividend in respect of Bank's holding in the equity of SBI for the year ended June 2007 was accounted on cash basis. The entire equity holding in SBI was transferred to the Government of India on June 29, 2007.

12. Previous year's figures have been regrouped/reclassified, wherever necessary, to conform to the current year's presentation.