

Revaluation Reserve Policy



The Sundargarh District Central Co-operative Bank Ltd.,

AT - REGENT MARKET, PO/DIST. - SUNDARGARH

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The Sundargarh District Central Co-operative Bank Ltd.,
SUNDARGARH – 770 001
Regd. No. 90/ SG / Dt.1.6.1955

RESOLUTION BY CIRCULATION OF THE PROCEEDINGS OF THE COMMITTEE OF
MANAGEMENT MEETING OF THE SUNDARGARH DISTRICT CENTRAL COOPERATIVE BANK
LTD., SUNDARGARH HELD ON DTD

Venue : Office Chamber

Date: 18-02-2026

Agenda No 1

To consider approval of
the draft policy of
1. Revaluation Reserve
Policy
2. Contigent Funding Plan
as per prescribed
guidelines of RBI/
NABARD / RCS (O).

Resolution

Discussed and approved the draft
policy of
1. Revaluation Reserve Policy
2. Contigent Funding Plan as per
prescribed guidelines of RBI/
NABARD / RCS (O).

Chief Executive Officer
Sundargarh DCC Bank Ltd.

PRESIDENT
Sundargarh DCC Bank Ltd.

Copy circulated to all members of the Committee of Management of the Bank for
information and necessary action.

Chief Executive Officer

Policy for Revaluation Reserve

Revaluation of Assets

It has been observed that different banks follow different policies for valuation of properties and appointment of valuers for the purpose. The issue of correct and realistic valuation of fixed assets owned by banks and that accepted by them as collateral for a sizable portion of their advances portfolio assumes significance in view of its implications for correct measurement of capital adequacy position of banks. In this context, there is a need for putting in place a system/procedure for realistic valuation of fixed assets and also for empanelment of valuers for the purpose.

Banks may be guided by the following aspects while formulating a policy on valuation of properties and appointment of valuers:

(a) Policy for valuation of properties.

- Banks should have a Board approved policy in place for valuation of properties including collaterals accepted for their exposures.
- The valuation should be done by professionally qualified independent valuers i.e. the valuer should not have a direct or indirect interest.
- The banks should obtain minimum two Independent Valuation Reports for properties valued at Rs.50 crore or above.

(b) Revaluation of bank's own properties

In addition to the above, the banks may keep the following aspects in view while formulating policy for revaluation of their own properties.

i) The extant guidelines on Capital Adequacy permit banks to include revaluation reserves at a discount of 55% as a part of Tier II Capital. In view of this, it is necessary that revaluation reserves represent true appreciation in the market value of the properties and banks have in place a comprehensive policy for revaluation of fixed assets owned by them. Such a policy should interalia cover procedure for identification of assets for revaluation, maintenance of separate set of records for such assets, the frequency of revaluation, depreciation policy for such assets, policy for sale of such revalued assets etc. The policy should also cover the disclosure required to be made in the 'Notes on Account regarding the details of revaluation such as the original cost of the fixed assets subject to revaluation and accounting treatment for appreciation / depreciation etc.

ii) As the revaluation should reflect the change in the fair value of the fixed asset, the frequency of revaluation should be determined based on the observed volatility in the prices of the assets in the past. Further, any change in the method of depreciation should reflect the change in the expected pattern of consumption of the future economic benefits of the assets. The banks should adhere to these principles meticulously while changing the frequency of revaluation/method of depreciation for a particular class of asset and should make proper disclosures in this regard.

Policy for Empanelment of Independent valuers

i) Banks should have a procedure for empanelment of professional valuers and maintain a register of 'approved list of valuers'.

ii). Banks may prescribe a minimum qualification for empanelment of valuers.

Different qualifications may be prescribed for different classes of assets (e.g. land and building, plant and machinery, agricultural land, etc.).

However, Bank has adopted Board approved policy for Valuation of property and empanelment of Valuer.

Banks may also be guided by the relevant Accounting Standard issued by the Institute of Chartered Accountants of India.

Capital Management:

These reserves often serve as a cushion against unexpected losses, but they are less permanent in nature and cannot be considered as 'Core Capital'. Revaluation reserve arise from revaluation of assets that are undervalued on the bank's books. The typical examples in this regard are bank premises and marketable securities. The extent to which the revaluation reserves can be relied upon as a cushion for unexpected losses depends mainly upon the level of certainty that can be placed on estimates of the market values of the relevant assets, the subsequent deterioration in values under difficult market conditions or in a forced sale, potential for actual liquidation of those values, tax consequences of revaluation, etc. Therefore, it would be prudent to consider revaluation reserves at a discount of 55 percent when determining their value for Inclusion in Tier II capital i.e, only 45% of revaluation reserve is available for inclusion in Tier II capital. Such reserves will have to be reflected on the face of the Balance Sheet as revaluation reserves.



Chief Executive Officer