

May 21, 2008

To

The Chairman and Chief Executive Officer
All Scheduled Commercial Banks
(excluding RRBs and LABs)

Dear Sir

Consolidated Financial Statement

The Accounting Standards (AS) issued by the Institute of Chartered Accountants of India (ICAI) prescribes the accounting of investments in subsidiaries, associates and joint ventures under AS 21 – Consolidated Financial Statement, AS 23 – Accounting for Investments in Associates in Consolidated Financial Statement and AS 27 – Financial Reporting of Interests in Joint Ventures. The Standards also specifically state the circumstances under which subsidiaries, associates or joint ventures can be excluded from consolidation. For example, exclusion from consolidation is permitted when the investment is held exclusively with a view to its subsequent disposal in the near future (within the next twelve months). The intention with regard to the disposal of the relevant investment should be considered at the time of acquisition of the investment.

2. It has been decided that the Board of Directors of banks should invariably record the intent of holding of the investment for a temporary period or otherwise at the time of investment in the subsidiary, associate and joint venture. In the absence of record of such intent by the Board at the time of such investment, the same would be taken into account for the purpose of consolidation.

Yours faithfully

(Prashant Saran)
Chief General Manager-in-Charge