

THE BIHAR STATE CO-OPERATIVE BANK LTD
ASHOK RAJPATH, PATNA -800004

Policy for 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 *inter alia* cover procedure for identification of assets for revaluation, maintenance of separate



