



## **Reserve Bank of India Issues Third Amendment Directions on Financial Statement Disclosures for Local Area Banks**

The Reserve Bank of India vide notification bearing reference no. RBI/2026-27/92 dated May 18, 2026, has issued the *Reserve Bank of India (Local Area Banks – Financial Statements: Presentation and Disclosures) Third Amendment Directions, 2026* under Section 35A of the Banking Regulation Act, 1949. The amendment has been introduced pursuant to the issuance of the *Reserve Bank of India (Local Area Banks - Classification, Valuation, and Operation of Investment Portfolio) Amendment Directions, 2026* and shall come into force with immediate effect.

### **Analysis**

- The amendment revises the disclosure requirements relating to “Revenue and Other Reserves” under Schedule 2(IV) of the *Reserve Bank of India (Local Area Banks - Financial Statements: Presentation and Disclosures) Directions, 2025*.
- The revised clarification specifies that the term “Revenue Reserve” shall include all reserves other than Capital Reserve and reserves separately classified. Further, it clarifies that reserves shall not include amounts retained towards depreciation, renewals, diminution in value of assets, or provisions made for known liabilities.
- The amendment also substitutes Paragraph 10(3)(vi) dealing with disclosure of “Movement of provisions for non-performing investments (NPIs)”. The revised format now requires Local Area Banks to disclose year-wise movement of NPI provisions including opening balance, provisions made during the year, write-off/write-back of excess provisions, and closing balance.
- The revised disclosure framework aligns financial statement presentation requirements with the updated investment portfolio classification and valuation regime introduced by the RBI in 2026.
- Operationally, Local Area Banks may be required to revisit their accounting classifications, reserve reporting methodology, and disclosure templates in annual financial statements to ensure consistency with the amended RBI disclosure norms.
- **Key Takeaways**
  - RBI has amended the financial statement disclosure framework applicable to Local Area Banks through the Third Amendment Directions, 2026.



- The amendment provides revised interpretation and treatment of “Revenue Reserve” under Schedule 2(IV).
  - Local Area Banks are now required to provide enhanced disclosure on movement of provisions for non-performing investments (NPIs).
  - The Directions have been issued under Section 35A of the Banking Regulation Act, 1949 and are effective immediately from May 18, 2026.
- The notification is attached herein.

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