Disclosure under Basel III norms as on 30th September 2016

1: Scope of Application

The South Indian Bank Limited is a commercial bank, which was incorporated on January 25, 1929 in Thrissur, Kerala. The Bank does not have any subsidiary/Associate companies under its Management.

2: Capital Adequacy

I. Qualitative Disclosure

RBI Guidelines on capital adequacy

The Bank is subject to the capital adequacy guidelines stipulated by RBI, which are based on the framework of the Basel Committee on Banking Supervision. As per Basel III guidelines, the Bank is required to maintain a minimum Capital to Risk Weighted Assets Ratio (CRAR) of 9% {11.5% including Capital Conservation Buffer (CCB)}, with minimum Common Equity Tier I (CET1) of 5.5% (8% including CCB) as on 31st March 2019. These guidelines on Basel III have been implemented on 1st April 2013 in a phased manner. The minimum capital required to be maintained by the Bank for the year ended 30th September 2016 is 9.625% with minimum Common Equity Tier 1 (CET1) of 6.125% (including CCB of 0.625%).

The bank's approach in assessment of capital adequacy

The bank is following standardized approach, Standardized Duration approach and Basic Indicator approach for measurement of capital charge in respect of credit risk, market risk and operational risk respectively. Besides, computation of CRAR under the Pillar I requirement, the Bank also periodically undertakes stress testing in various risk areas to assess the impact of stressed scenario or plausible events on asset quality, liquidity, profitability and capital adequacy. The bank conducts Internal Capital Adequacy Assessment Process (ICAAP) on annual basis to assess the sufficiency of its capital funds to cover the risks specified under Pillar- II of Basel guidelines. The adequacy of banks capital funds to meet the future business growth is also assessed in the ICAAP document.

Quantitative Disclosure

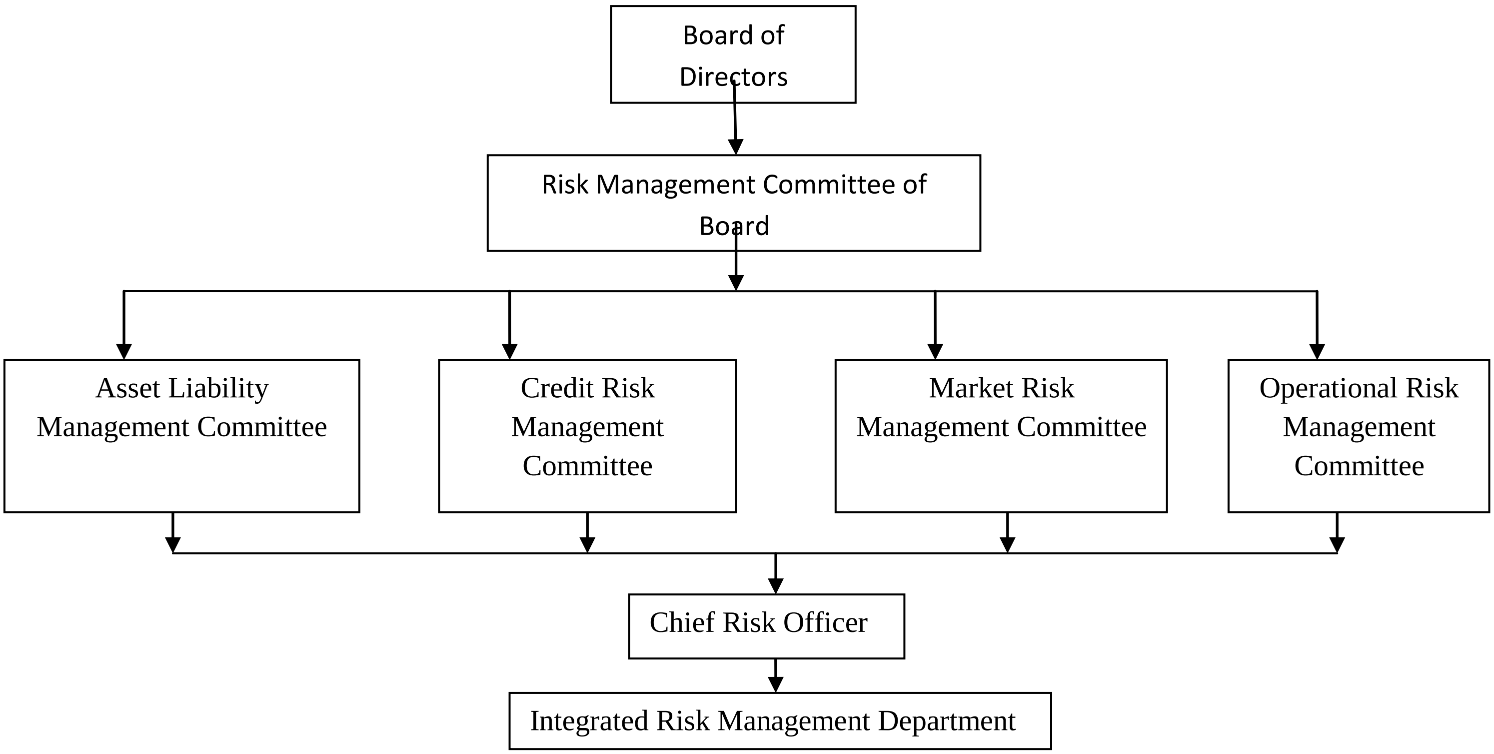
	Particulars	Amount in Rs Million
(a)	Capital requirements for Credit Risk	33,002.76
	Portfolios subject to standardized approach	33,002.76
	Securitization exposures	0.00
(b)	Capital requirements for Market Risk (Standardised duration	1,932.77

	approach)	
	Interest Rate Risk	1,489.04
	Foreign Exchange Risk (including gold)	43.31
	Equity Risk	·400.42
(c)	Capital requirements for Operational Risk (Basic Indicator Approach)	3,371.22
	Total Capital Requirement at 9.625%{ (a)+ (b)+(c) }	38,306.75
	Total Capital Fund	44,299.34
	Common Equity Tier- I CRAR %	9.47%
	Tier- I CRAR %	9.47%
	Total CRAR %	11.13%

Risk Management: Objectives and Organisation Structure

Risk is an integral part of banking business in an ever dynamic environment, which is undergoing radical changes both on the technology front and product offerings. The main risks faced by the bank are credit risk, market risk and operational risk. The bank aims to achieve an appropriate trade off between risk and return to maximize shareholder value. The relevant information on the various categories of risks faced by the bank is given in the ensuing sections. This information is intended to give market participants a better idea on the risk profile and risk management practices of the bank.

The bank has a comprehensive risk management system set up to address various risks and has set up an Integrated Risk Management Department (IRMD), which is independent of operational departments. Bank has a Risk Management Committee functioning at apex level for formulating, implementing and reviewing bank’s risk management measures pertaining to credit, market and operational risk. Apart from the Risk Management Committee of the Board at apex level, the Bank has a strong Bank-wide risk management structure comprising of Asset Liability Management Committee, Credit Risk Management Committee, Market Risk Management Committee and Operational Risk Management Committee at senior management level, operational risk management specialists in all Regional Offices and dedicated mid office at Treasury Department/International Banking Division at operational level. The structure and organization of Risk Management functions of the bank is as follows:


Board of Directors
Risk Management Committee of Board
Asset Liability Management Committee
Credit Risk Management Committee
Market Risk Management Committee
Operational Risk Management Committee
Chief Risk Officer
Integrated Risk Management Department

3. Credit Risk: General Disclosures

I. Qualitative Disclosure

Definition of impaired credit and past dues considered by bank for accounting purposes

The guidelines as laid down by RBI Master Circular No. DBOD.No.BP.BC.2/21.04.048/2015-16 dated July 1, 2015, on Asset classification, Income Recognition and Provisioning to Advances portfolio are followed while classifying Non-performing Assets (NPAs). The guidelines are as under:

a) An asset, including a leased asset, becomes non-performing when it ceases to generate income for the bank.

b) A non performing asset (NPA) is a loan or an advance where;

i. Interest and / or installment of principal remains overdue for a period of more than 90 days in respect of a term loan,

ii. the account remains 'out of order', in respect of an Overdraft / Cash Credit (OD/ CC), (out of order - An account is treated as 'out of order' if the outstanding balance remains continuously in excess of the sanctioned limit/drawing power. In cases where the outstanding balance in the principal operating account is less than the sanctioned limit / drawing power, but there are no credits continuously for 90 days as on the date of Balance Sheet or credits are not enough to cover the interest debited during the same period, these accounts are treated as “out of order”.)

iii. the bill remains overdue for a period of more than 90 days in the case of bills Purchased and discounted, (overdue - Any amount due to the bank under any credit facility is “overdue” if it is not paid on the due date fixed by the bank.)

iv. The installment of principal or interest thereon remains overdue for two crop seasons for short duration crops, (overdue - Any amount due to the bank under any credit facility is “overdue” if it is not paid on the due date fixed by the bank.)

v. The installment of principal or interest thereon remains overdue for one crop season for long duration crops, (overdue - Any amount due to the bank under any credit facility is

   a. ‘Overdue’ if it is not paid on the due date fixed by the bank.)

vi. The amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitization transaction undertaken in terms of RBI guidelines on Securitization dated February 1, 2006.

vii. In respect of derivative transactions, the overdue receivables representing positive Mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment.

Credit risk management practices of our Bank

The bank has a comprehensive credit risk management policy which deals with identification, assessment, measurement and mitigation of credit risk. The policy has defined credit risk as the possibility of losses associated with the diminution in the credit quality of the borrower or the counter party or the failure on its part to meet its obligations in accordance with the agreed terms. The Credit Risk Management Committee, an executive level committee is entrusted with the task of overseeing various risk management measures envisaged in the policy. The Credit Risk Management Committee also deals with issues relating to credit risk management policy and procedures and analyse, manage and control credit risk on a bank wide basis. Credit risk management policy primarily addresses the credit risk inherent in advances. The principal aspects covered under this policy include credit risk rating, credit risk monitoring, credit risk mitigation and country risk management.

The major specific credit risk management measures followed by bank, as listed out in the credit risk management policy are given in following points.

- The credit/country risk associated with exposures, like inter-bank deposits and export bill discounting, to different countries are consolidated regularly and monitored by the Board.

- Bank uses a robust risk rating framework for evaluating credit risk of the borrowers. The bank uses segment-specific rating models that are aligned to target segment of the borrowers.

- Risks on various counter-parties such as corporates, banks, are monitored through counter-party exposure limits, also governed by country risk exposure limits in case of international transactions.

- The bank manages risk at the portfolio level too, with portfolio level prudential exposure limits to mitigate concentration risk.

II. Quantitative Disclosure

a) Gross Credit Risk Exposures as on 30th September 2016

Amount in Rs Million

Category	Exposure
Fund Based [1]	5,40,182.40
Non Fund Based [2]	28,275.65
Total	5,68,458.05

Note :

1. Fund based credit exposure excludes Cash in hand, Balance with RBI, SLR investments, shares, deposits placed NABARD, SIDBI & NHB, Fixed and Other assets.

2. Non-fund based exposure includes outstanding Letter of Credit, Acceptances, Bank Guarantee exposures and Forward Contracts. The value of forward contracts is arrived based on Current Exposure Method (CEM).

b) Geographic Distribution of Credit Risk Exposure as on 30th September 2016

Particulars	Amount in Million
Domestic	5,68,458.05
Overseas	Nil
Total	5,68,458.05

c) Industry wise Distribution of gross advances and NPAs as on 30th September 2016

Industry Name	Standard Advance	Gross Advance	GNPA
A.Mining and Quarrying(A.1+A.2)	**1,888.51**	**1,888.51**	**0.00**
A.1 Coal	1.69	1.69	**0.00**
A2.Others	1,886.82	1,886.82	0.00
B.Food Processing(Sum of B.1 to B.5)	**157.69**	**157.69**	**0.00**
B.1. Sugar	0.00	0.00	0.00
B.2. Edible Oils and Vanaspathi	0.00	0.00	0.00
B.3.Tea	3.45	3.45	0.00
B.4.Coffee	0.00	0.00	0.00
B.5 Others	154.24	154.24	0.00
C. Beverages(Exluding Tea & Coffee)and Tobacco(Sum of C.1 & C.2)	**2,975.7**	**2,975.74**	**0.00**

C.1 Tobacco and Tobacco products	87.31	87.31	0.00
C.2 Others	2,888.43	2,888.43	0.00
D.Textiles((Sum of D.1 to D6))	**16,933.56**	**17,589.19**	**655.63**
D.1 Cotton	9,297.64	9,370.54	**72.90**
D.2 Jute	29.14	29.14	0.00
D.3 Handicraft/Khadi(Non Priority)	211.37	211.86	0.49
D.4 Silk	744.40	890.00	145.60
D.5 Woolen	174.87	174.87	0.00
D.6 Others	6,476.13	6,912.77	436.64
Out of D (i.e Total Textiles)to Spinning Mills	10,433.70	10,652.25	218.55
E.Leather and Leather products	**1,237.46**	**1,237.46**	**0.00**
F. Wood and Wood Products	**1,212.48**	**1,224.50**	**12.02**
G. Paper and Paper Products	**2,769.74**	**2,855.58**	**85.85**
H.Petroleum(non-infra),Coal Products(non-mining)and Nuclear Fuels	**1,229.91**	**1,251.72**	**21.81**
I.Chemicals and Chemical Products(Dyes,Paints, etc)(Sum of 1.1 to 1.4)	**5,659.36**	**5,688.01**	**28.64**
I.1 Fertilizers	40.97	40.97	0.00
1.2 Drugs and Pharaceuticals	2,697.68	2,697.68	0.00
I.3 Petrochemicals(excluding under Infrastructure)	0.00	0.00	0.00
I.4 Others	2,920.71	2,949.35	28.64
J.Rubber,Plastic and their Products	**6,794.97**	**6,857.56**	**62.60**
K. Glass and Glassware	**63.96**	**96.96**	**0.00**
L. Cement and Cement Products	**12,057.35**	**12,060.61**	**3.25**
M.Basic Metal and Metal products(M.1+M.2)	**17,208.76**	**20,610.35**	**3401.59**
M.1 Iron and Steel	12,669.85	15,981.10	33,111.25
M.2 Other Metal and Metal Products	4,538.91	4,629.24	90.33
N.All Engineering (N.1+N.2)	**28,020.38**	**28,168.56**	**148.17**
N.1 Electronics	17,768.14	17,768.14	0.00
N.2 Others	10,252.25	10,400.42	0.00
O. Vehicles,Vehicle Prts and Transport Equipments	**4,534.17**	**4,535.60**	**1.43**
P. Gems and Jwellery	**6,454.53**	**9,326.39**	**2,871.86**
Q.Construction	**5,358.04**	**5,562.54**	**204.50**
R.Infrastructure(Sum of R.1 to R.4)	**33840.22**	**38853.67**	**5013.45**
R.1 Transport((Sum of R.1.1 to R.1.5))	14,060.47	14,848.06	787.59
R.1.1 Railways	0.00	0.00	0.00
R.1.2 Roadways	14,060.47	14,848.06	787.59

R.1.3 Aviation	0.00	0.00	0.00
R.1.4 Waterways	0.00	0.00	0.00
R.1.5.Others	0.00	0.00	0.00
R.2 Energy(Sum of R.2.1 to R.2.4)	**11,208.36**	**12,066.32**	**857.97**
R.2.1 Electricity (generation-transportation and distribution)	11,208.36	12,066.32	857.97
R.2.1.1 State Electricity Boards	0.00	0.00	0.00
R.2.1.2 Others	11,208.36	12,066.32	857.97
R.2.2 Oil(storage and pipeline)	0.00	0.00	0.00
R.2.3 Gas/LNG(storage and pipeline)	0.00	0.00	0.00
R.2.4 Others	0.00	0.00	0.00
R.3 Telecommunication	5,028.44	5,079.50	51.06
R.4 Others (Sum of R.4.1 to R.4.3)	3,542.96	6,859.79	3,316.83
R.4.1 Water Sanitation	0.00	0.00	0.00
R.4.2 Social & Commercial Infrastructure	3,542.96	6,859.79	3,316.83
R.4.3 Others	0.00	0.00	0.00
S. Other Industries	10,896.01	11,086.67	190.67
All Industries (Sum of A to S)	**1,59,292.82**	**1,71,994.29**	**12,701.47**

d) Residual Contractual Maturity breakdown of Assets as on 30th September 2016

Amount in Rs Million

Time band	Cash and Balance with RBI	Balance with Banks	Investments	Loans & Advances	Fixed Asset	Other Assets
Next Day	5,584.63	1,870.31	3,802.78	33,940.51	-	83.62
2 - 7 Day	-	1,604.40	999.09	3,269.60	-	277.87
8 - 14 Day	-	49.90	-	3,386.60	-	361.49
15 - 30 Day	555.23	134.17	-	11,904.89	-	785.43
31 - 2 Months	383.72	224.48	2,089.67	21,383.76		1,504.19
29 - 3 Months	2,419.29	161.39	1,809.46	27,560.30	-	1,506.82
3 - 6 Months	2,355.23	-	2,531.01	71,935.69	-	3,684.76
6 - 12 Months	3,513.65	-	11,001.41	89,880.70	-	6,991.88
1 - 3 year	2,224.19	-	13,644.93	53,140.40	-	15,258.50
3 - 5 year	2,002.00	-	22,113.94	49,992.25	-	686.99
Over 5 Year	9,283.79	-	99,779.99	69,073.19	5,980.86	7,799.02
Total	**28,321.73**	**4,044.65**	**1,57,772.28**	**4,35,477.89**	**5,980.86**	**38,940.57**

e) The composition of Gross NPAs and NPIs, Net NPAs, NPA ratios and provision for GNPAs and GNPIs as on 30th September 2016 and movement of gross NPAs and provisions during the half year ended 30th September 2016 are given in following table.

Rs in Million

1.	**Amount of Gross NPAs**	**17,452.81**
	• Substandard	8,221.95
	• Doubtful-I	3,550.93
	• Doubtful-2	5,418.09
	• Doubtful-3	106.55
	• Loss	155.29
2.	**Net NPA**	**12,063.53**
3	**NPA Ratios**	
	• Gross NPA to Gross Advance:	**3.96 %**
	• Net NPA to Net Advance:	**2.77%**

4.	**Movement of N PA (Gross)**	
	• Opening Gross NPA (balance as at the end of previous Fiscal)	**15,623.61**
	• Additions to Gross NPA	3,513.76
	• Reductions to Gross NPA	1,684.57
	• **Closing Balance of Gross NPA**	**17,452.81**
5.	**Movement of N PA Provisions**	
	• Opening balance of NPA Provisions held (balance as at the end of previous Fiscal)	**3,546.07**
	• Provisions made during the period	2,547.57
	• Deductions during the period	928.27
	• **Closing Balance of NPA Provisions**	**5,165.37**
6.	**Amount of Non Performing Investments (Gross)**	**554.94**
7.	**Amount of Provisions held NP Investments**	**448.09**
8.	**Movement of Provisions for Depreciation on Investments**	
	• Opening Balance of Provisions for Depreciation (balance as at the end of previous Fiscal)	506.72
	• Provisions made during the period	0.00
	• Write-offs / Write-back of excess provisions during the period	301.46
	• Closing Balance of Provisions for Depreciation	205.25

f) Geography wise Distribution of NPA and Provision

Geography	Gross NPA	Specific Provision	General Provision
Domestic	17,452.81	4,968.20	5,389.27*
Overseas	NIL	NIL	NIL
Total	**17,452.81**	**4,968.20**	**5,389.27***

*Inclusive of NPA Provision, Restructured sacrifice provision in NPA Accounts and ECGC/DICGC /Insurance Claim pending.

4: Credit Risk: Disclosure for Portfolios under Standardized Approach

I. Qualitative Disclosure

a. Names of credit rating agencies used

Bank has approved all the six External Credit Rating Agencies accredited by RBI for the purpose of credit risk rating of domestic borrowal accounts that forms the basis for determining risk weights under Standardized Approach. External Credit Rating Agencies approved are:

1. CRISIL
2. CARE
3. India Ratings and Research Private Limited (Formerly FITCH INDIA)
4. ICRA
5. Brickwork Ratings India Pvt. Ltd
6. SMERA Ratings Ltd

The Bank computes risk weight on the basis of external rating assigned, both Long Term and Short Term, for the facilities availed by the borrower. The external ratings assigned are generally facility specific. The Bank follows below mentioned procedures as laid down in the Basel III guidelines for use of external ratings:

- The external rating assigned by an agency is considered if it fully takes into account the credit exposure of the bank.
- If an issuer has a long- term exposure with an external long term rating that warrants a risk weight of 150 percent, all unrated claims on the same counter-party, whether short term or long-term, should also receive a 150 percent risk weight, unless the bank uses recognized credit risk mitigation techniques for such claims.
- If an issuer has a short-term exposure with an external short term rating that warrants a risk weight of 150 per cent, all unrated claims on the same counter-party, whether long-term or short-term, should also receive a 150 per cent risk weight, unless the bank uses recognized credit risk mitigation techniques for such claims.
- The unrated short term claim of counterparty will attract a risk weight of at least one level higher than the risk weight applicable to the rated short term claim on that counter-party. If a short-term rated facility to counterparty attracts a 20 per cent or a 50 per cent risk weight, unrated short-term claims to the same counter-party cannot attract a risk weight lower than 30 per cent or 100 per cent respectively.

b. Process used to transfer public issue ratings onto comparable assets in the banking book

(i) In circumstances where the borrower has a specific assessment for an issued debt - but the bank's claim is not an investment in this particular debt - the rating applicable to the specific debt (where the rating maps into a risk weight lower than that which applies to an unrated claim) may be applied to the bank's un-assessed claim only if this claim ranks pari passu or senior to the specific rated debt in all respects and the maturity of the un-assessed claim is not later than the maturity of the rated claim, except where the rated claim is a short term obligation. If not, the rating applicable to the specific debt cannot be used and the un-assessed claim will receive the risk weight for unrated claims.

(ii) If either the issuer or single issue has been assigned a rating which maps into a risk weight equal to or higher than that which applies to unrated claims, a claim on the same counterparty, which is unrated by any chosen credit rating agency, will be assigned the same risk weight as is applicable to the rated exposure, if this claim ranks pari-passu or junior to the rated exposure in all respects.

II. Quantitative Disclosures

Amount of exposure (after risk mitigation) outstanding as on 30th September 2016 under major three risk buckets

Description of risk bucket	Rs in Million
Below 100% Risk Weight	4,01,965.80
Risk Weight at 100%	1,57,108.22
More than 100% Risk Weight	61,047.27
Deducted if any	

(Amount of exposures includes cash in hand, balance with RBI, investments, loans and advances, Fixed and other assets, off balance sheet items and forward contracts)

5: Credit Risk Mitigation: Disclosures for Standardised Approaches

I. Qualitative Disclosure

Policies and processes for collateral valuation and management

Bank has put in place a comprehensive policy on Credit Risk Mitigants and Collaterals for recognizing the eligible collaterals and guarantors for netting the exposures and reducing the credit risk of obligors. Basic procedures and descriptions of controls as well as types of standard/acceptable collaterals, guarantees necessary in granting credit, evaluation methods for different types of credit and collateral, applicable "haircuts" to collateral, frequency of revaluation and release of collateral are stipulated in the bank's credit policy, policy on collateral management and credit risk mitigant policy. The bank uses net exposure for capital calculations after taking cognizance of eligible financial collaterals. All collaterals and guarantees are recorded and the details are linked to individual accounts.

Collateral valuation

As stipulated by the RBI guidelines, the Bank uses the comprehensive approach for collateral valuation. Under this approach, the Bank reduces its credit exposure to counterparty when calculating its capital requirements to the extent of risk mitigation provided by the eligible collateral as specified in the Basel III guidelines.

The Bank adjusts the value of any collateral received to adjust for possible future fluctuations in the value of the collateral in line with the requirements specified by RBI guidelines. These adjustments also referred to as 'haircuts', to produce volatility-adjusted amounts for collateral, are reduced from the exposure to compute the capital charge based on the applicable risk weights.

Types of collateral taken by the Bank

The Bank determines the appropriate collateral for each facility based on the type of product and risk profile of the counterparty. In case of corporate and small and medium enterprises financing, fixed assets are generally taken as security for long tenor loans and current assets for working capital finance. For project finance, security of the assets of the borrower and assignment of the underlying project contracts is generally taken. In addition, in some cases, additional security such as pledge of shares, cash collateral, charge on receivables with an escrow arrangement and guarantees is also taken.

For retail products, the security to be taken is defined in the product policy for the respective products. Housing loans and automobile loans are secured by the security of the property/automobile being financed. The valuation of the properties is carried out by an empanelled valuer at the time of sanctioning the loan.

The Bank also offers products which are primarily based on collateral such as shares, specified securities, warehoused commodities and gold jewellery. These products are offered in line with the approved product policies, which include types of collateral, valuation and margining.

The Bank extends unsecured facilities to clients for certain products such as derivatives, credit cards and personal loans. The limits with respect to unsecured facilities have been approved by the Board of Directors.

The decision on the type and quantum of collateral for each transaction is taken by the credit approving authority as per the credit approval authorisation approved by the Board of Directors. For facilities provided as per approved product policies, collateral is taken in line with the policy.

Credit Risk Mitigation techniques

The RBI guidelines on Basel III allow the following credit risk mitigants to be recognised for regulatory capital purposes:

A. Eligible Financial Collaterals

- Cash and fixed deposit receipts, issued by our bank.
- Gold: Gold would include both bullion and jewellery. However, the value of the collateralized jewellery should be arrived at after notionally converting these to 99.99% purity.
- Kisan Vikas Patra, Indira Vikas Patra and National Savings Certificates provided no lock-in period is operational and if they can be encashed within the holding period.
- Life Insurance policies with a declared surrender value of an insurance company which is regulated by an insurance sector regulator.
- Securities issued by Central and State Governments.

- Debt securities rated by a chosen Credit Rating Agency in respect of which banks should be sufficiently confident about the market liquidity where these are either:

  a. Attracting 100 per cent or lesser risk weight i.e., rated at least BBB(-) when issued by public sector entities and other entities (including banks and Primary Dealers); or

  b. Attracting 100 per cent or lesser risk weight i.e., rated at least CARE A3 / CRISIL A3 / India Ratings and Research Private Limited (India Ratings) A3 /ICRA A3 /Brickwork A3 / SMERA A3 for short-term debt instruments.

- Debt Securities not rated by a chosen Credit Rating Agency in respect of which banks should be sufficiently confident about the market liquidity where these are:

  a. issued by a bank; and

  b. listed on a recognised exchange; and

  c. classified as senior debt; and

  d. all rated issues of the same seniority by the issuing bank are rated at least BBB(-) or CARE A3/ CRISIL A3/ India Ratings and Research Private Limited (India Ratings) A3/ICRA A3/Brickwork A3/SMERA A3 by a chosen Credit Rating Agency; and

  e. The bank holding the securities as collateral has no information to suggest that the issue justifies a rating below BBB(-) or CARE A3/ CRISIL A3/ India Ratings and Research Private Limited (India Ratings) A3/ICRA A3/Brickwork A3/SMERA A3 (as applicable) and;

f. Banks should be sufficiently confident about the market liquidity of the security.

- Units of Mutual Funds regulated by the securities regulator of the jurisdiction of the banks operation mutual funds where:

  a. A price for the units is publicly quoted daily i.e., where the daily NAV is available in public domain; and

  b. Mutual fund is limited to investing in the instruments listed in this paragraph.

B. **On-balance sheet netting**, which is confined to loans/advances and deposits, where banks have legally enforceable netting arrangements, involving specific lien with proof of documentation.

C. **Guarantees**, where these are direct, explicit, irrevocable and unconditional. Further, the eligible guarantors would comprise:

  a. Sovereigns, sovereign entities (including Bank for International Settlements, the International Monetary Fund, European Central Bank and European Community as well as those Multilateral Development Banks, Export Credit Guarantee Corporation of India and Credit Guarantee Fund Trust for Small Industries, Credit Risk Guarantee Fund Trust for Low Income Housing), banks and primary dealers with a lower risk weight than the counterparty;

  b. Other entities that are externally rated except when credit protection is provided to a securitisation exposure. This would include credit protection provided by parent, subsidiary and affiliate companies when they have a lower risk weight than the obligor.

II. Quantitative Disclosure

a. Details of exposure covered by eligible financial collateral and information about (credit or market) concentration within the mitigation taken as on 30th September 2016 is given in table below

S No	Nature of Exposure	Exposure	Amount of Risk Mitigants	Risk Weighted Assets
1	Exposure covered by Gold	42,595.09	42,594.86	0.30
2	Exposure covered by deposits	15,301.82	16,905.72	0.00
3	Loan against KVP / IVP/NSC/LIC	88.53	118.04	0.00

6: Securitisation Exposures: Disclosure for Standardised Approach

Not applicable since the bank does not undertake securitisation activity.

7: Market Risk in Trading Book

I. Qualitative disclosures

Market Risk Management Policy

Market risk is the possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates, credit spreads and other asset prices. The market risk for the Bank is managed in accordance with the Market Risk Management policy, Investment Policy and ALM Policy which are approved by the Board. The policies ensure that operations in securities, foreign exchange etc are conducted in accordance with sound and acceptable business practices and are as per the extant regulatory guidelines, laws governing transactions in financial securities and the financial environment. The policies contain the limit structure that governs transactions in financial instruments. The policies are reviewed periodically to incorporate changed business requirements, economic environment and changes in regulations.

Structure and organisation of the market risk management function

The Market Risk Management Committee (MRMC), which is an independent function, reports to the Risk Management Committee. MRMC exercises independent control over the process of market risk management and recommends changes in risk policies, controls, processes and methodologies for quantifying and assessing market risk. There is clear functional separation of:

- Trading i.e. front office; and
- Monitoring, control, settlements and accounting i.e. Treasury back office.

Strategies and processes

- The Bank has put in place a comprehensive Market risk management Framework to address the Market risks (bank wide) including that of the Trading Book.
- Within the above Framework, various policies of the Bank prescribes Limits like Value at Risk (VaR) for Central Government securities & Currencies, maximum holding period, duration, minimum holding level for liquid assets, defeasance period, exposure limits, Forex open position limits (day light/overnight), stop-loss limits etc .
- Risk profiles are analyzed and the effectiveness of risk mitigants is regularly monitored.
- The Bank's Board/ Market Risk Management Committee (MRMC)/ Investment Management Committee (IMC) approves the volume composition holding/ defeasance period etc. of the trading book.

The scope and nature of risk reporting and /or measurement system risk reporting

Adherence to limits are being monitored by dedicated mid office, reporting exceptions to chief risk officer (CRO), independent of Treasury /IBD operational units.

Risk Measurement

- Values at Risk (VaR) numbers are arrived for Trading book Central Government securities, T Bills and Currencies.
- The positions are marked to market at stipulated intervals. The Duration/Modified Duration is computed and its adherence to the prescribed duration limits is ensured.
- The bank is computing capital charge on "Held for Trading" and "Available for Sale" categories using Standardized Duration Approach as required under RBI guidelines for Basel III.
- Stress testing analyses are done by applying rate shocks for parallel shift in the yield curve under current economic and political scenario.

II. Quantitative disclosures

Capital requirements for different categories of Market Risks at 9.625%

(Rs. in Millions)

S No.	Particulars	Capital Charge
1	Interest rate risk	1,489.04
2	Equity Position Risk	400.42
3	Foreign Exchange Risk	43.31

8. Operational Risk

Operational risk management framework

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. Operational risk includes legal risk but excludes strategic and reputation risk. Operational risk is inherent in the Bank's business activities in both domestic as well as overseas operations and covers a wide spectrum of issues.

Objectives

The objective of the Bank's operational risk management is to manage and control operational risks in a cost effective manner within targeted levels of operational risk consistent with the Bank's risk appetite as specified in the Operational Risk Management Policy (the Policy) approved by the Board of Directors. The Policy aims to:

- Define Bank level operational risk appetite;
- Establish clear ownership and accountability for management and mitigation of operational risk;
- Help business and operations to improve internal controls, reduce likelihood of occurrence of operational risk incidents and minimise potential impact of losses;

- Minimise losses and customer dissatisfaction due to failure in processes;
- Develop comprehensive operational risk loss database for effective mitigation;
- Meet regulatory requirements as set out in the guidance note on management of operational risk issued by the RBI; and
- Compute capital charge for operational risk as per the guidelines issued by the RBI.

The bank has started the Risk and Control Self Assessment (RCSA) and loss data collection, and at the same time identified the data gaps to be filled, to facilitate a step by step migration into the advanced approaches.

9: Interest Rate Risk in the Banking Book (IRRBB)

I. Qualitative disclosures

IRRBB refers to the risk arising on account of adverse interest rate fluctuations on interest rate sensitive assets and interest rate sensitive liabilities, which are held in banking book. In short term perspective -Traditional Gap Analysis (TGA) approach- it is the risk of an adverse impact on net interest income arising from timing differences in re-pricing of various items of assets liabilities. In long term perspective -Duration Gap Analysis (DGA) approach - it is the risk arising from adverse impact on the Bank's economic value of equity, due to duration gap between assets and liabilities.

Interest rate risk on banking book assumes the form of basis risk, yield curve risk, re-pricing risk or embedded options risk. For purposes of measuring the impact of these risks on net interest income under TGA approaches, the risk position is identified as the gap between rate sensitive assets and liabilities in different maturity buckets. For purposes of measuring the impact of these risks on economic value of net worth under DGA approach, the risk position is defined as the modified duration of equity which is derived from the modified duration gap, which in turn requires computation of the weighted average modified duration of assets and weighted average modified duration of liabilities.

The bank calculates the impact on the earnings by gap analysis with the assumed change in yield over one year. Bank has put in place prudential limits for probable reduction in Net Interest Income (NII) for buckets below one year due to adverse change in interest rates. Earnings at Risk (EaR) are being calculated using Traditional Gap Analysis as per ALM guidelines of RBI.

The bank calculates the impact on the Market value of equity by Duration Gap Analysis and the impact is calculated by applying a notional interest rate shock of 200 basis points as per ALM guidelines of RBI.

Risk evaluation and adherence to risk limits are reported to Market Risk Management Committee/ALCO through Chief Risk Officer.

II. Quantitative Disclosures

Amount in Rs Million

Particulars	**As on 30th September 2016**
Change in NII	
Probable impact on Net Interest income for 100 Bps downward movement in interest rate	Rs.371.58 Million
Change in MVE	
Probable impact on Market Value of equity (MVE) for a 200 Bps upward movement in interest rates.	Rs.161.35 Million

10: General Disclosure for Exposures Related to Counterparty Credit Risk

I. Qualitative disclosures

Bank has put in place Counterparty Credit Risk limits for banks as counterparty, based on internal rating considering a number of financial parameters like net worth, capital adequacy ratio, rating etc of the counterparty bank and with the approval of the Board. Counterparty exposures for other entities are subject to comprehensive exposure ceilings fixed by the Board. Capital for Counterparty Credit Risk is assessed based on the Standardized Approach.

II. **Quantitative Disclosures**

The Bank does not recognize bilateral netting. The credit equivalent amounts of derivatives that are subjected to risk weighting are calculated as per the Current Exposure Method (CEM). The balance outstanding for forward contract as on 30th September 2016 is as follows:

Particulars	Rs in Million
Forward Contracts valued based on CEM	3,321.97
Total	**3,321.97**

Table DF 11. Composition of capital as on 30th September 2016

Rs in Million

Basel III common disclosure template to be used during the transition of regulatory adjustments (i.e from April 1,2013 to December 31,2017)		Amounts subject to Pre-Basel III Treatment	
Common Equity Tier 1 capital: instruments and reserves			
1	Directly issued qualifying common share capital plus related stock surplus (share premium)	1,350.61	
2	Retained earnings	36,859.96	
3	Accumulated other comprehensive income (and other reserves)		
4	*Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)*		
	Public sector capital injections grandfathered until January 1, 2018		
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)		
6	**Common Equity Tier 1 capital before regulatory adjustments**	38,210.58	
Common Equity Tier 1 capital: regulatory adjustments			
7	Prudential valuation adjustments		
8	Goodwill (net of related tax liability)		
9	Intangibles other than mortgage-servicing rights (net of related tax liability)	503.46	
10	Deferred tax assets		
11	Cash-flow hedge reserve		
12	Shortfall of provisions to expected losses		
13	Securitisation gain on sale		
14	Gains and losses due to changes in own credit risk on fair valued liabilities		
15	Defined-benefit pension fund net assets		
16	Investments in own shares (if not already netted off paid- in capital on reported balance sheet)		
17	Reciprocal cross-holdings in common equity	35.60	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		

19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)		
20	Mortgage servicing rights (amount above 10% threshold)		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)		
22	Amount exceeding the 15% threshold		
23	of which: significant investments in the common stock of financial entities		
24	of which: mortgage servicing rights		
25	of which: deferred tax assets arising from temporary differences		
26	National specific regulatory adjustments (26a+26b+26c+26d)		
26a	*of which:* Investments in the equity capital of the unconsolidated insurance subsidiaries		
26b	*of which:* Investments in the equity capital of unconsolidated non-financial subsidiaries		
26c	*of which:* Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank		
26d	*of which:* Unamortised pension funds expenditures		
	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-basel treatment		
	of which: [INSERT TYPE OF ADJUSTMENT] For example: filtering out of unrealised losses on AFS debt securities (not relevant in Indian context)		
	of which: [INSERT TYPE OF ADJUSTMENT]		
	of which: [INSERT TYPE OF ADJUSTMENT]		
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions		
28	**Total regulatory adjustments to Common equity Tier 1**	539.07	
29	**Common Equity Tier 1 capital (CET1)**	**37,671.51**	
Additional Tier 1 capital: instruments			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (31+32)		

31	of which: classified as equity under applicable accounting standards (Perpetual Non-Cumulative Preference Shares)		
32	of which: classified as liabilities under applicable accounting standards (Perpetual debt Instruments)		
33	*Directly issued capital instruments subject to phase out from Additional Tier 1*		
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)		
35	*of which: instruments issued by subsidiaries subject to phase out*		
36	**Additional Tier 1 capital before regulatory adjustments**		
Additional Tier 1 capital: regulatory adjustments			
37	Investments in own Additional Tier 1 instruments		
38	Reciprocal cross-holdings in Additional Tier 1 instruments		
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)		
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)		
41	National specific regulatory adjustments (41a+41b)		
41a	Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries		
41b	Shortfall in the Additional Tier 1 capital of majority owned financial entities which have not been consolidated with the bank		
	Regulatory Adjustments Applied to Additional Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment		
	of which: Deferred Tax Assets (not associated with accumulated losses) net of Deferred Tax Liabilities		
	of which: [INSERT TYPE OF ADJUSTMENT e.g. existing adjustments which are deducted from Tier 1 at 50%]		

	of which: [INSERT TYPE OF ADJUSTMENT]		
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		
43	**Total regulatory adjustments to Additional Tier 1 capital**		
44	**Additional Tier 1 capital (AT1)**		
44a	**Additional Tier 1 capital reckoned for capital adequacy**		
45	**Tier 1 capital (T1 = CET1 + AT1) (29 + 44a)**	**37,671.51**	
Tier 2 capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	4,200.00	
47	Directly issued capital instruments subject to phase out from Tier 2		
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)		
49	*of which: instruments issued by subsidiaries subject to phase out*		
50	Provisions	2,452.32	
51	**Tier 2 capital before regulatory adjustments**	**6,652.32**	
Tier 2 capital: regulatory adjustments			
52	Investments in own Tier 2 instruments		
53	Reciprocal cross-holdings in Tier 2 instruments	24.49	
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)		
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)		
56	National specific regulatory adjustments (56a+56b)		
56a	*of which:* Investments in the Tier 2 capital of unconsolidated subsidiaries		
56b	*of which:* Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the bank		

	Regulatory Adjustments Applied To Tier 2 in respect of Amounts Subject to Pre-Basel III Treatment		
	of which: [INSERT TYPE OF ADJUSTMENT e.g. existing adjustments which are deducted from Tier 2 at 50%]		
	of which: [INSERT TYPE OF ADJUSTMENT		
57	**Total regulatory adjustments to Tier 2 capital**	**24.49**	
58	Tier 2 capital (T2)	**6,627.83**	
58a	Tier 2 capital reckoned for capital adequacy	**6,627.83**	
58b	Excess Additional Tier 1 capital reckoned as Tier 2 capital	0.00	
58c	Total Tier 2 capital admissible for capital adequacy (58a + 58b)	6,627.83	
59	**Total capital (TC = T1 + T2) (45 + 58c)**	**44,299.34**	
	Risk Weighted Assets in respect of Amounts Subject to Pre-Basel III Treatment		
	of which:		
	of which: …		
60	**Total risk weighted assets (60a + 60b + 60c)**	**3,97,992.24**	
60a	*of which: total credit risk weighted assets*	34,2,885.81	
60b	*of which: total market risk weighted assets*	20,080.76	
60c	*of which: total operational risk weighted assets*	35,025.66	
Capital ratios			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	9.47%	
62	Tier 1 (as a percentage of risk weighted assets)	9.47%	
63	Total capital (as a percentage of risk weighted assets)	11.13%	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets)	6.125%	
65	*of which: capital conservation buffer requirement*	0.625%	
66	*of which: bank specific countercyclical buffer requirement*		
67	*of which: G-SIB buffer requirement*		
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	3.34%	
National minima (if different from Basel III)			
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	**5.50%**	

70	National Tier 1 minimum ratio (if different from Basel III minimum)	**7.00%**	
71	National total capital minimum ratio (if different from Basel III minimum)	**9.00%**	
Amounts below the thresholds for deduction (before risk weighting)			
72	Non-significant investments in the capital of other financial entities		
73	Significant investments in the common stock of financial entities		
74	Mortgage servicing rights (net of related tax liability)		
75	Deferred tax assets arising from temporary differences (net of related tax liability)		
Applicable caps on the inclusion of provisions in Tier 2			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)		
77	Cap on inclusion of provisions in Tier 2 under standardised approach		
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)		
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach		
Capital instruments subject to phase-out arrangements (only applicable between March 31, 2017 and March 31, 2022)			
80	*Current cap on CET1 instruments subject to phase out arrangements*		
81	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*		
82	*Current cap on AT1 instruments subject to phase out arrangements*		
83	*Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)*		
84	*Current cap on T2 instruments subject to phase out arrangements*		
85	*Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)*		

Notes to the Template

Row No of the Template	Particular	(Rs. in million)
10	Deferred tax assets associated with accumulated losses	0.00
	Deferred tax assets (excluding those associated with accumulated losses) net of Deferred tax liability	1,221.63
	Total as indicated in row 10	
19	If investments in insurance subsidiaries are not deducted fully from capital and instead considered under 10% threshold for deduction, the resultant increase in the capital of bank	
	of which: Increase in Common Equity Tier 1 capital	0.00
	of which: Increase in Additional Tier 1 capital	0.00
	of which: Increase in Tier 2 capital	0.00
26b	If investments in the equity capital of unconsolidated non-financial subsidiaries are not deducted and hence, risk weighted then:	
	(i) Increase in Common Equity Tier 1 capital	0.00
	(ii) Increase in risk weighted assets	0.00
50	Eligible Provisions included in Tier 2 capital	2,452.32
	Eligible Revaluation Reserves included in Tier 2 capital	0.00
	Total of row 50	

Table DF-12 Composition of Capital- Reconciliation Requirements

Rs in Million

	Step 1	**Balance Sheet as in Financial Statements**	**Balance sheet under regulatory scope of consolidation**
		30.09.2016	**30.09.2016**
A	**Capital & Liabilities**		
i.	Paid-up Capital	1,350.61	
	Reserves & Surplus	40,268.40	
	Minority Interest	0.00	
	Total Capital	41,619.01	

ii	Deposits	6,01,917.50	
	of which: Deposits from banks	19,197.99	
	of which: Customer deposits	5,44,699.59	
	of which: Other deposits (pl. specify)	38,019.90	
iii	Borrowings	14,990.20	
	of which: From RBI	0.00	
	of which: From banks	0.00	
	of which: From other institutions & agencies	14,687.97	
	of which: Others (pl. specify) Borrowings from outside India	302.26	
	of which: Capital instruments(Does not include bonds held by banks)	0.00	
iv.	Other liabilities & provisions (includes ESOP outstanding)	12,011.3	
	Total	6,70,538.01	
B	**Assets**		
i	Cash and balances with Reserve Bank of India	28,321.70	
	Balance with banks and money at call and short notice	4,044.60	
ii	Investments:	1,57,772.30	
	of which: Government securities	1,40,491.81	
	of which: Other approved securities	8,813.15	
	of which: Shares	1,822.45	
	of which: Debentures & Bonds	6,540.60	
	of which: Subsidiaries / Joint Ventures / Associates	0.00	
	of which: Others (Commercial Papers, Mutual Funds etc.)	104.29	
iii	Loans and advances	4,35,477.90	
	of which: Loans and advances to banks	0.00	
	of which: Loans and advances to customers	4,35,477.90	
iv	Fixed assets	5,980.90	

v	Other assets	38,940.60	
	of which: Goodwill and intangible assets	0.00	
	of which: Deferred tax assets	1,863.64	
vi	Good will on consolidation	0.00	
vii	Debit balance in Profit & Loss account	0.00	
	Total Assets	6,70,538.01	

Table DF 13: Main Features of Regulatory Capital Instruments

Series 1

		Sub-ordinated Tier 2 Bonds
1	**Issuer**	**The South Indian Bank Ltd.**
2	**Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)**	INE683A09091
3	**Governing law(s) of the instrument *Regulatory treatment***	**Indian Law**
4	**Transitional Basel III rules**	**Sub-ordinated Tier 2 Bonds**
5	**Post-transitional Basel III rules**	**Eligible**
6	**Eligible at solo/group/ group & solo**	**Solo**
7	**Instrument type**	Unsecured Redeemable Non-Convertible Subordinated Tier II Lower Bonds
8	**Amount recognised in regulatory capital (Rs. in million, as of most recent reporting date)**	Rs. 1200 Million
9	**Par value of instrument**	Rs.1 Million
10	**Accounting classification**	Liability
11	**Original date of issuance**	20.08.2009
12	**Perpetual or dated**	Dated
13	**Original maturity date**	20.08.2019
14	**Issuer call subject to prior supervisory approval**	No
15	**Optional call date, contingent call dates and redemption amount**	NA
16	**Subsequent call dates, if applicable**	NA
	Coupons / dividends	

17	**Fixed or floating dividend/coupon**	Fixed
18	**Coupon rate and any related index**	9.75 % p.a
19	**Existence of a dividend stopper**	No
20	**Fully discretionary, partially discretionary or mandatory**	Mandatory
21	**Existence of step up or other incentive**	No
	to redeem	
22	**Non cumulative or cumulative**	Non cumulative
23	**Convertible or non-convertible**	Non convertible
24	**If convertible, conversion trigger(s)**	NA
25	**If convertible, fully or partially**	NA
26	**If convertible, conversion rate**	NA
27	**If convertible, mandatory or optional conversion**	NA
28	**If convertible, specify instrument type convertible into**	NA
29	**If convertible, specify issuer of instrument it converts into**	NA
30	**Write-down feature**	No
31	**If write-down, write-down trigger(s)**	NA
32	**If write-down, full or partial**	NA
33	**If write-down, permanent or temporary**	NA
34	**If temporary write-down, description of write-up mechanism**	NA
35	**Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)**	All depositors and other creditors
36	**Non-compliant transitioned features**	No
37	**If yes, specify non-compliant features**	NA

Series II

		Sub-ordinated Tier 2 Bonds
1	**Issuer**	**The South Indian Bank Ltd.**
2	**Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)**	INE683A08028
3	**Governing law(s) of the instrument**	.
	Regulatory treatment	**Indian Law**
4	**Transitional Basel III rules**	**Sub-ordinated Tier 2 Bonds**
5	**Post-transitional Basel III rules**	**Eligible**
6	**Eligible at solo/group/ group & solo**	**Solo**
7	**Instrument type**	Unsecured Redeemable Non-Convertible Subordinated Tier II Lower Bonds
8	**Amount recognised in regulatory capital (Rs. in million, as of most recent reporting date)**	**Rs. 3000 Million**
9	**Par value of instrument**	Rs. 10,00,000
10	**Accounting classification**	Liability
11	**Original date of issuance**	30-09-2015
12	**Perpetual or dated**	Dated
13	**Original maturity date**	31-10-2025
14	**Issuer call subject to prior supervisory approval**	No
15	**Optional call date, contingent call dates and redemption amount**	NA
16	**Subsequent call dates, if applicable**	NA
	Coupons / dividends	
17	**Fixed or floating dividend/coupon**	Fixed
18	**Coupon rate and any related index**	10.25%
19	**Existence of a dividend stopper**	No
20	**Fully discretionary, partially discretionary or mandatory**	NA
21	**Existence of step up or other incentive**	NA
	to redeem	

22	**Non cumulative or cumulative**	Non-Cumulative
23	**Convertible or non-convertible**	Non-convertible
24	**If convertible, conversion trigger(s)**	NA
25	**If convertible, fully or partially**	NA
26	**If convertible, conversion rate**	NA
27	**If convertible, mandatory or optional conversion**	NA NA
28	**If convertible, specify instrument type convertible into**	NA
29	**If convertible, specify issuer of instrument it converts into**	NA
30	**Write-down feature**	Yes
31	**If write-down, write-down trigger(s)**	PONV
32	**If write-down, full or partial**	Full
33	**If write-down, permanent or temporary**	Permanent
34	**If temporary write-down, description of write-up mechanism**	NA
35	**Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)**	All depositors and other creditors
36	**Non-compliant transitioned features**	No
37	**If yes, specify non-compliant features**	NA

Table DF- 14: Full Terms and Conditions of Regulatory Capital Instruments

Series I

Nature Of Instrument	Unsecured Redeemable Non-Convertible Subordinated Tier II Lower Bonds
Amount Subscribed	Rs.2,000 Million
Face Value	Rs.10,00,000/-
Date of allotment	20/08/2009
Date of Redemption	20/04/2020
Coupon Rate	9.75 % p.a
Put and call option	Nil
Issuance, Trading & Listing	Listed on BSE Ltd., Mumbai

Series II

Nature Of Instrument	10.25% Unsecured Redeemable Non Convertible Basel III Compliant Tier 2 Bonds in the nature of Debentures
Amount Subscribed	Rs.3,000 Million
Face Value	Rs.10,00,000/-
Date of allotment	30-09-2015
Date of Redemption	31-10-2025
Coupon Rate	10.25% p.a
Put and call option	Nil
Issuance, Trading & Listing	Listed in BSE

Table DF 15: Disclosures on Remuneration

a) **Information relating to the composition and mandate of the Nomination & Remuneration Committee.**

- **Composition**

The Nomination & Remuneration committee of the Board consists of three members of which one member from Risk Management committee of the Board facilitate effective governance of compensation.

The roles and responsibilities of the Nomination & Remuneration Committee inter-alia include the following:

i. Scrutinizing the declarations received from persons to be appointed as Directors as well as from the existing Directors seeking re-appointment and make references to the appropriate authority/persons to ensure compliance with the requirements indicated by Reserve Bank of India vide their directive dated May 23, 2011on Fit & Proper Criteria of the Banks.

ii. To devise a Succession Planning Policy for the Board and Senior Management.

iii. To formulate a Nomination policy of the Board to guide the Board in relation to appointment/re-appointment/removal of Directors

iv. To identify persons who are qualified to become Directors/ KMPs and who may be appointed in senior management as defined in the Succession Policy in accordance with the criteria laid down and to recommend to the Board their appointment and/ or removal.

v. To formulate the criteria for evaluation of Independent Directors and the Board/Committees.

vi. To devise a policy on Board diversity.

vii. To carry out any other function as is mandated by the Board from time to time and / or enforced by any statutory notification, amendment or modification, as may be applicable.

viii. To perform such other functions as may be necessary or appropriate for the performance of its duties.

ix. To oversee the framing, review and implementation of Bank's overall compensation structure and related polices on remuneration packages payable to the WTDs/MD & CEO and other staff including performance linked incentives, perquisites, Stock option scheme etc. with a view to attracting, motivating and retaining employees and review compensation levels vis-a-vis other Banks and the industry in general.

x. The Committee shall work in close coordination with the Risk Management Committee of the Bank, in order to achieve effective alignment between remuneration and risks. The Committee will also ensure that the cost/income ratio of the Bank supports the remuneration package consistent with maintenance of sound capital adequacy ratio.

xi. With respect to the Performance Linked Incentive Schemes, the Committee is empowered to:

    i) Draw up terms and conditions and approve the changes, if any, to the Performance Linked Incentive schemes;

    ii) Moderate the scheme on an ongoing basis depending upon the circumstances and link the same with the recommendations of Audit Committee;

    iii) Coordinate the progress of growth of business vis -a- vis the business parameters laid down by the Board and Audit Committee and effect such improvements in the scheme as considered necessary;

    iv) On completion of the year, finalize the criteria of allotment of marks to ensure objectivity/equity.

xii. The Committee shall also function as the Compensation Committee as prescribed under the SEBI (Share Based Employee Benefits) Regulations, 2014 and is empowered to formulate detailed terms and conditions of the Scheme, administer, supervise the same and to allot shares in compliance with the guidelines and other applicable laws.

xiii. To obtain necessary clearances and approvals from regulatory authorities, appoint Merchant Bankers and do such other things as may be necessary in respect of the Employees Stock Option Scheme.

xiv. To oversee the administration of Employee benefits, such as, provident fund, Pension Fund, Gratuity, Compensation for absence on Privilege/Sick/Casual Leave etc., which are recognized in accordance with Accounting Standard-15 (revised) specified in the Companies (Accounting Standards) Rules, 2006.

xv. The Committee may suggest amendments to any stock option plans or incentive plans, provided that all amendments to such plans shall be subject to consideration and approval of the Board;

xvi. Any other matters regarding remuneration to WTDs/MD & CEO and other staffs of the Bank as and when permitted by the Board.

xvii. To conduct the annual review of the Compensation Policy

xviii. To fulfill such other powers and duties as may be delegated to it by the Board.

b) Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy.

The Bank has formed the compensation policy based on the Reserve Bank of India guidelines vide its Circular No. DBOD.No.BC.72/29.67.001/2011-12 dt. January 13, 2012.

The fixed remuneration and other allowances including retirement benefits of all subordinate, clerical and officers up to the rank of General Manager (Scale VII) is governed by the industry level wage settlement under Indian Banks Association (IBA) pattern. In respect of officers above the cadre of General Manager, the fixed remuneration is fixed by Board / Committee.

Further, the compensation structure for the Whole Time Directors (WTDs) / Managing Director & Chief Executive Officers (MD & CEO) of the bank are subject to approval of Reserve Bank of India in terms of Section 35 B of the Banking Regulation Act, 1949. The payment of compensation also requires approval of the shareholders of the Bank in the General Meeting pursuant to clause 95 of Articles of Association of the Bank read with Section 197 of the Companies Act, 2013.

c) **Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks.**

The Board of Directors through the NRC shall exercise oversight and effective governance over the framing and implementation of the Compensation Policy. Human Resource Management under the guidance of MD & CEO shall administer the compensation and Benefit structure in line with the best suited practices and statutory requirements as applicable.

d) **Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration.**

The factors taken in to account for the annual review and revision in the variable pay and performance bonus are:

- The performance of the Bank
- The performance of the business unit
- Individual performance of the employee
- Other risk perceptions and economic considerations.

Further, the Bank has not identified any employee as "risk taker" for the purpose of variable pay under this compensation policy.

e) **A discussion of the bank's policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting.**

- Where the variable pay constitutes a substantial portion of the fixed pay, i.e., 50% or more, an appropriate portion of the variable pay, i.e., 40% will be deferred for over a period of 3 years.

- In case of deferral arrangements of variable pay, the deferral period shall not be less than three years. Compensation payable under deferral arrangements shall vest no faster than on a pro rata basis.
- The Board may adopt principles similar to that enunciated for WTDs / CEOs, as appropriate, for variable pay-timing, m`alus / clawback, guaranteed bonus and hedging.
- Employee Stock Option Scheme / Employee Stock Option Plan as may be framed by the Board from time to time in conformity with relevant statutory provisions and SEBI guidelines as applicable will be excluded from the components of variable pay.

f) Description of the different forms of variable remuneration (i.e., cash, shares, ESOPs and other forms) that the bank utilizes and the rationale for using these different forms.

- Variable pay means the compensation as fixed by the Board on recommendation of the Committee, which is based on the performance appraisal of an employee in that role, that is, how well they accomplish their goals. It may be paid as:

I. Performance Linked Incentives to those employees who are eligible for incentives.

II. Exgratia for other employees who are not eligible for Performance linked Incentives.

III. Bonus for those staff members who are eligible for bonus under the Payment of Bonus Act, 1965

IV. Any other incentives, by whatever name called having the features similar to the above.

V. Quantitative Disclosures

Number of meetings held by the Remuneration Committee during the half year ended 30.09.2016 (from 01.04.16 – 30.09.16)	4
Remuneration paid to its members. (from 01.04.16 – 30.09.16)	Rs.2.75 lakhs
Number of employees having received a variable remuneration award during the financial year.	1
Number of sign-on awards made during the financial year.	-
Total amount of sign-on awards made during the financial year.	-

Details of guaranteed bonus, if any, paid as joining / sign on bonus.		-
Details of severance pay, in addition to accrued benefits, if any.		-
Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.		-
Total amount of deferred remuneration paid out in the financial year.		-
Breakdown of amount of remuneration awards for the half year ended 30.09.2016 (from 01.04.16 – 30.09.16)		(Rs. in lakhs)
-	Fixed	36.00
-	Variable	16.5

Summary comparison of accounting assets vs. leverage ratio exposure measure

Leverage Ratio:
Leverage ratio is a non-risk based measure of exposure over capital. The leverage ratio is calibrated to act as a credible supplementary measure to the risk based capital requirements.

The Basel III leverage ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator), with this ratio expressed as a percentage.

$$\text{Leverage Ratio} = \frac{\text{Capital Measure (Tier I Capital)}}{\text{Exposure Measure}}$$

Summary comparison of accounting assets vs. leverage ratio exposure measure		
	Item	**(Rs. in Million)**
1	Total consolidated assets as per published financial statements	6,70,537.98
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	0.00
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	(539.07)
4	Adjustments for derivative financial instruments	3,321.97
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	307.60
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off- balance sheet exposures)	29,978.82
7	Other adjustments	(250.00)
8	**Leverage ratio exposure**	**7,03,357.31**

Leverage ratio common disclosure template		
	Item	**Leverage ratio framework(Rs. in million)**
	On-balance sheet exposures	
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	6,70,287.98
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(539.07)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	6,69,748.91
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	1,545.12
5	Add-on amounts for PFE associated with all derivatives transactions	1,776.85
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	0.00
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0.00
8	(Exempted CCP leg of client-cleared trade exposures)	0.00
9	Adjusted effective notional amount of written credit derivatives	0.00
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0.00
11	**Total derivative exposures (sum of lines 4 to 10)**	3,321.97
	Securities financing transaction exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	250.00
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0.00
14	CCR exposure for SFT assets	57.60

15	Agent transaction exposures	0.00
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**	307.60
	Other off-balance sheet exposures	
17	Off-balance sheet exposure at gross notional amount	1,27,615.74
18	(Adjustments for conversion to credit equivalent amounts)	(97,636.92)
19	**Off-balance sheet items (sum of lines 17 and 18)**	29,978.82
	Capital and total exposures	
20	**Tier 1 capital**	**37,671.51**
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**7,03,357.31**
	Leverage ratio	
22	**Basel III leverage ratio**	**5.36%**