Disclosure under Basel III norms as on 30th September 2013

I. Scope of Application

The South Indian Bank Limited is a commercial bank, which was incorporated on January 25, 1929 in Thrissur, Kerala. The bank became a scheduled bank in 1946. The bank has no subsidiaries.

Composition of the Capital as on September 30, 2013

Particulars	Rs in Crore
Common Equity Tier 1 Capital	
Paid up Share Capital	134.09
Reserves & Surplus	2732.23
Common Equity Tier 1 Capital before deductions	2866.32
Deductions	
Deferred Tax Assets	89.96
Reciprocal cross holding in common equity	6.65
Defined- benefit pension fund	36.35
Intangible assets	4.49
Common Equity Tier 1 Capital after deductions-A	**2728.87**
Additional Tier I Capital-B	Nil
Tier 2 Capital	
Directly issued Tier 2 Capital instruments	200.00
General Provisions / IRA and Revaluation Reserves	227.19
Tier 2 Capital	427.19
Deductions	
Reciprocal cross holding in Tier- II capital instruments	2.00
Tier 2 Capital after deductions-C	**425.19**
Total Capital(A+B+C)	**3154.06**

As on September 30, 2013 the Bank does not have Additional Tier I Capital. Detailed disclosures with respect to (i) Composition of Capital, (ii) Composition of Capital – Reconciliation Requirements, (iii) Main features of Regulatory Capital Instruments and (iv)full terms and conditions of Regulatory Capital requirements are enclosed under sections XI, XII, XIII and XIV respectively.

II. Capital Adequacy

A. A brief overview of Basel- III guidelines issued by RBI

Reserve Bank of India issued Guidelines based on the Basel III reforms on capital regulation on May 2012, to the extent applicable to banks operating in India. The Basel III capital regulation has been implemented from April 01, 2013 in India in phases and it will be fully implemented as on March 31, 2018. RBI issued detailed

Guidelines on Composition of Capital Disclosure Requirements on May 28, 2013. The Basel III Capital Regulations have been consolidated in Master Circular – Basel III Capital Regulations vide circular No.DBOD.No.BP.BC.2/21.06.201/2013-14 dated July 1 2013.

Under the Basel II framework, the total regulatory capital comprises of Tier I (core capital) and Tier 2 capital (supplementary capital). In order to improve the quality of regulatory capital, the capital will predominantly consist of Common Equity under Basel III. Non-equity Tier 1 and Tier 2 capital would continue to form part of regulatory capital subject to eligibility criteria as laid down in Basel III. The Basel III capital regulations continue to be based on three-mutually reinforcing Pillars, viz. minimum capital requirements (Pillar 1), supervisory review of capital adequacy (Pillar 2), and market discipline (Pillar 3) of the Basel II capital adequacy framework. The Basel-III norms mainly seek to:

a) Raise the quality of capital to ensure that the banks are capable to absorb losses on both as going concern and as gone concern basis,
b) Increase the risk coverage of the capital framework
c) Introduce leverage ratio to serve as a backstop to the risk-based capital measure
d) Raise the standards for the supervisory review process and public disclosures etc.

The macro prudential aspects of Basel III are largely enshrined in the capital buffers. Both the buffers i.e. the capital conservation buffer and the countercyclical buffer are intended to protect the banking sector from stressed situations and business cycles.

Minimum capital requirements under Basel-III:

Under the Basel III Capital Regulations, Banks are required to maintain a minimum Pillar 1 Capital to Risk-weighted Assets Ratio (CRAR) of 9% on an on-going basis (other than capital conservation buffer and countercyclical capital buffer etc.) Besides the minimum capital requirements, Basel III also provides for creation of capital conservation buffer (CCB). The CCB requirements kick in from March 31, 2015 and are to be fully implemented by March 31, 2018.

The total regulatory capital fund under Basel- III norms will consist of the sum of the following categories:-

(i) Tier 1 Capital (going-concern capital*): comprises of:-
(a) Common Equity Tier 1 capital
(b) Additional Tier 1 capital

(ii) Tier 2 Capital (gone-concern capital*)

(*From regulatory capital perspective, going-concern capital is the capital which can absorb losses without triggering bankruptcy of the bank. Gone-concern capital is the capital which will absorb losses only in a situation of liquidation of the bank).

Elements of Capital funds –

(i) Common Equity Tier 1 capital

- Common shares
- Stock surplus (share premium of Common Equity instruments)
- Statutory reserves
- Capital reserves representing surplus arising out of sale proceeds of assets
- Other disclosed free reserves, if any
- Balance in Profit & Loss Account at the end of previous year
- Profit for current year calculated on quarterly basis as per the formula given in RBI guidelines/notification. (Less: Regulatory adjustments/ deductions)

(ii) Additional Tier 1 capital

- Perpetual Non-cumulative Preference shares (PNCPS)
- Stock surplus (share premium of Additional Tier 1 capital instruments)
- Debt capital instruments
- Any other type of instruments as notified by RBI from time to time.
- (Less: Regulatory adjustments/ deductions)

(ii) Tier 2 Capital

- General Provisions and Loss Reserves
- Debt capital instruments issued by banks
- Preference share capital instruments (PCPS/RNCPS/RCPS)
- Stock surpluses (premium of Tier 2 capital instruments)
- Revaluation reserves at a discount of 55%
- Any other type of instruments generally notified by RBI for inclusion under Tier capital (Less: Regulatory adjustments/deductions)

B. 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 computing 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.

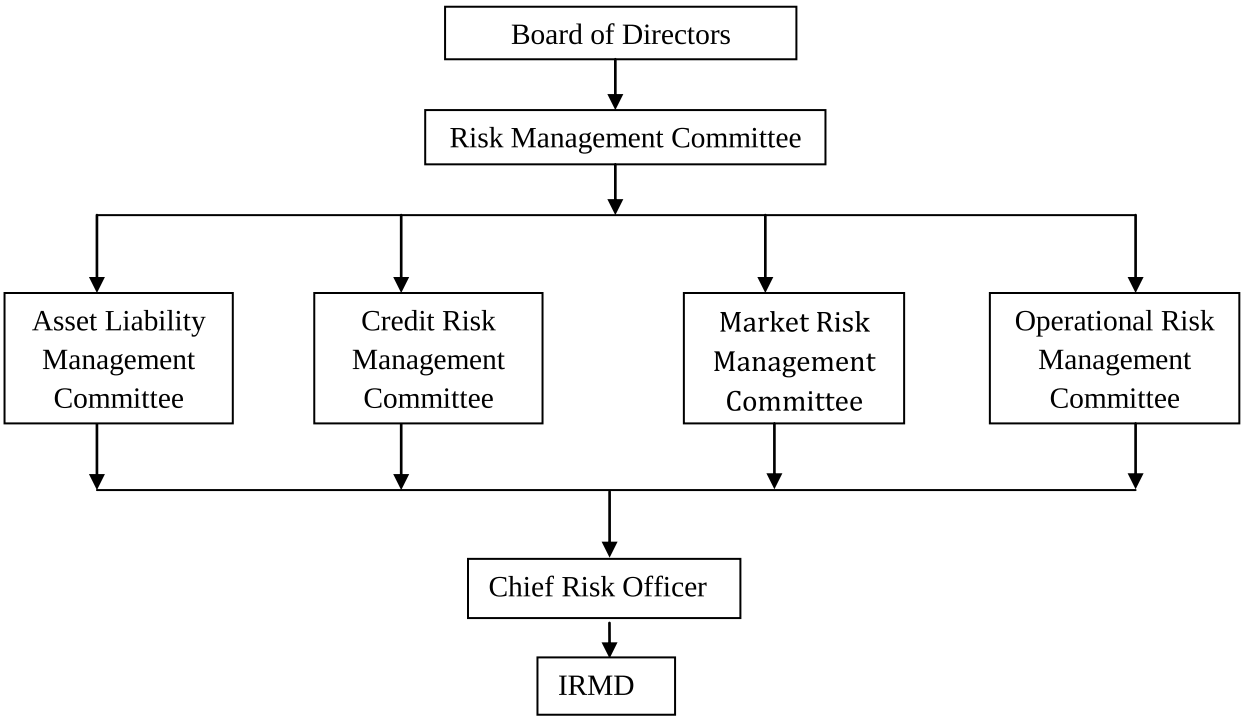
C. **The Summary of Capital requirements for Credit Risk, Market Risk and Operational Risk as on September 30, 2013, is mentioned below:**

Particulars	Rs in Crore
Capital requirements for Credit Risk	1916.73
Capital requirements for Market Risk	77.29
Interest Rate Risk	45.30
Foreign Exchange Risk (including gold)	0.90
Equity Risk	31.09
Capital requirements for Operational Risk	195.40
Total Capital requirements at 9%	2189.42
Total Capital Funds	3154.05
Common Equity Tier- I CRAR %	11.22
Tier- I CRAR %	11.22
Total CRAR%	12.97

D. Risk Exposure and Assessment

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 tradeoff 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:



III. **Credit Risk: General Disclosures**

A. 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.8/21.04.048/2013-14 dated July 1, 2013, 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),
iii) the bill remains overdue for a period of more than 90 days in the case of bills Purchased and discounted,
iv) The installment of principal or interest thereon remains overdue for two crop seasons for short duration crops,
v) The installment of principal or interest thereon remains overdue for one crop season for long duration crops,

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.

B. Credit risk management practices of our Bank

a. Risk management practices envisaged in credit risk management policy

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 shall deal with issues relating to credit risk 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.

b. Risk management practices envisaged in other policies

- ➢ Bank has a Loan / Credit Policy which is periodically reviewed. This policy takes into account the need for better credit risk management and avoidance of risk concentration. Exposure limit for single borrower, group entities, categories of borrowers, specific industry/sector etc. have been stipulated. Specific norms and policy for appraising, sanctioning, documentation, inspections & monitoring, renewals, maintenance, rehabilitation and management of assets have been stipulated, with sufficient room for innovation, deviation, flexibility with proper authority is taken care of in the policy.

- The Bank has an independent Credit Monitoring Department that constantly monitors accounts for irregularities, identifies accounts for early warning signals for potential problems and identifies individual NPA accounts systematically.

C. Quantitative Disclosures

a. Gross Credit Risk Exposures as on 30.09.13

(Rs. in Crore)

Particulars	Exposure	Amount	Total
Fund Based	Loans & Advances	31931.42	
	Others (Fixed Assets, Other Assets etc)	5021.16	
	Investments held under Banking Book	11536.56	48489.14
Non Fund Based	LC/BG	1532.75	
	Forward Contracts	1293.03	
	Others	534.09	3359.87
Grand total of Credit Risk Exposure			51849.01

b. Geographic Distribution of Credit Risk Exposure as on 30th September 2013

Particulars	**(Rs. in Crore)**
Domestic	51849.01
Overseas	0.00
Total	**51849.01**

Industry-Wise Distribution of gross advances and NPAs as on 30th September, 2013

(Rs in Crore)

Industry Name	**Standard Advance**	**GNPA**	**Gross advances**
A. Mining and Quarrying	25.79	1.56	27.35
B. Food Processing	781.46	9.71	791.17
C. Beverages(Excluding Tea & Coffee) and Tobacco	42.96	.83	43.78
D. Textiles	949.88	35.04	984.91
E. Leather and Leather products	59.68	0.00	59.68
F. Wood and Wood Products	93.90	1.23	95.12
G. Paper and Paper Products	214.93	2.77	217.70
H. Petroleum(non-infra),Coal Products(non-mining) and Nuclear Fuels	154.45	15.00	169.44
I. Chemicals and Chemical Products(Dyes, Paints, etc)	420.26	8.76	429.01

J. Rubber, Plastic and their Products	452.84	.26	453.11
K. Glass and Glassware	3.81	0.00	3.81
L. Cement and Cement Products	411.38	0.34	411.73
M. Basic Metal and Metal products	1640.57	111.78	1752.35
N. All Engineering	227.67	1.81	229.48
O. Vehicles, Vehicle Parts and Transport Equipments	353.29	90.14	443.43
P. Gems and Jewellery	508.46	.09	508.56
Q. Construction	471.46	10.94	482.40
R. Infrastructure	4869.47	165.04	5034.51
S. Other Industries	631.15	9.19	640.34

c. The composition of Gross NPAs and NPIs, Net NPAs, NPA ratios and provision for GNPAs and GNPIs as on 30.09.13 and movement of gross NPAs and provisions during the quarter ended 30.09.13 are given in following table.

(Rs in Crore)

1.	Amount of Gross NPAs	614.33
	• Substandard	478.64
	• Doubtful-I	81.61
	• Doubtful-2	5.79
	• Doubtful-3	1.65
	• Loss	46.64
2.	Net NPA	439.85
3.	NPA ratios	
	• Gross NPA to Gross Advance:	1.91%
	• Net NPA to Net Advance:	1.39%
4.	Movement of N PA (Gross)	
	• Opening Gross NPA	492.60
	• Additions to Gross NPA	260.44
	• Reductions to Gross NPA	138.71
	• Closing Balance of Gross NPA	614.33
5.	Movement of N PA Provisions	
	• Opening balance of NPA Provisions held	124.08
	• Provisions made during the period	54.01
	• Deductions during the period	23.79
	• Closing Balance of NPA Provisions	154.30
6.	Amount of Non Performing Investments (Gross)	5.03
7.	Amount of Provisions held NP Investments	5.03
8	Movement of Provisions for Depreciation on Investments	
	• Opening Balance of Provisions for Depreciation	33.64
	• Provisions made during the period	5.25
	• Write-offs / Write-back of excess provisions during the period	19.45
	• Closing Balance of Provisions for Depreciation	19.44

IV. Credit Risk: Disclosure for Portfolios under Standardized Approach

a. Names of credit rating agencies used

As per the Basel II guidelines on Standardized approach, the risk weight on certain categories of domestic counter parties is determined based on the external rating assigned by any one of the accredited rating agencies, i.e. CRISIL, ICRA, CARE, India Rating Pvt. Ltd, Brickworks Ratings India Pvt. Ltd and SMERA. For Foreign counterparties and banks, rating assigned by S&P, Moody's and Fitch are used.
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 follow below mentioned procedures as laid down in the Basel II guidelines for use of external ratings:

- The external rating assigned by an agency is considered only 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 unassessed claim only if this claim ranks pari passu or senior to the specific rated debt in all respects and the maturity of the unassessed 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 unassessed 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.

c. Quantitative Disclosures

Amount of exposure (after risk mitigation) outstanding as on 30.09.13 under major three risk buckets

Description of risk bucket	**Rs in Crore**
Below 100% Risk Weight	29118.04
Risk Weight at 100%	12441.45
More than 100% Risk Weight	1391.75

V. Credit Risk Mitigation: Disclosures for standard approach

a. 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.

b. A description of the main types of collateral taken by the bank

- 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 Iock-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.

c. The main types of guarantor counterparty and their credit worthiness
  - Central Government
  - State Governments

- Banks
- Corporates, PDs or PSUs of rating AA and above

d. Details of exposure covered by eligible financial collateral and information about (credit or market) concentration within the mitigation taken as on 30.09.13 is given in table below

S. No	Category of loan	Exposure	Amount of Risk Mitigants	Risk weighted assets	Concentration of risk mitigants (%)
1	Gold loans	6597.31	6447.80	186.89	82.89
2	Loan against deposits	1195.38	1328.20	0.00	17.08
3	Loan against KVP/IVP/NSC/LIC	2.30	2.55	0.00	0.03
	Total	7794.99	7778.56		100.00

e. Total exposure covered by State Govt Guarantee as on 30.09.13 is Rs.921.02 Crore

VI. SECURITISATION: DISCLOSURE FOR STANDARDISED APPROACH

This section is not applicable, since the bank does not undertake securitisation activity.

VII. Market Risk in Trading Book

a. **Definition of market risk:** - Market risk refers to the potential losses arising from volatility in interest rates, foreign exchange rates, equity prices and commodity prices. Market risk arises with respect to all market risk sensitive financial instruments, including securities, foreign exchange contracts, equity and derivative instruments as well as from balance sheet or structural positions.

b. **Portfolios cover under standardized approach: -** The bank's portfolio comprises of fixed income securities, equity shares and forex portfolio.

c. Strategies and processes

1) 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.
2) 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 .
3) Risk profiles are analyzed and the effectiveness of risk mitigants is regularly monitored.

4) 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.

d. 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.

e. Risk Measurement

1) Values at Risk (VaR) numbers are arrived for Trading book Central Government securities, T Bills and Currencies.
2) 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.
3) 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 II.
4) Stress testing analyses are done by applying rate shocks for parallel shift in the yield curve under current economic and political scenario.

<u>Capital requirements for different categories of Market Risks at 9%</u>

	Capital Requirements	**Capital Charge (Rs. in Crore)**
1	Interest rate risk	45.30
2	Equity Position Risk	31.09
3	Foreign Risk	0.90

VIII. **Operational Risk**

The Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk. The bank uses Basic Indicator approach for measurement of capital charge for operational risk.

In banks day-to-day operations, are exposed to various types of operational risks. These risks may arise from a variety of factors, such as unauthorized transactions or decisions, improper documentation, non-adherence to operational and information security procedures, failure of computer systems, software or equipment, perpetration of frauds or execution errors.

Reflecting the heightened regulatory concern for operational losses, operational risk management has been viewed as an integral part of risk management activity.

Incorporating the guidelines put forward by RBI, the bank has drafted a separate policy listing out the procedures/guidelines for identification, assessment, monitoring and mitigation of operational risk. The bank has also adopted Security Policy, Information Security Policy, Policy on KYC and Anti-Money Laundering, Policy on Business Continuity and New Products approval etc. which aids in management of operational risks.

The Operational Risk Management policy of the bank has established an explicit operational risk management process of identification, analysis, monitoring and mitigation of operational risk at the business level and a reporting line to the senior management to ensure their knowledge as to the current operational risk profile. The bank has started the Risk Control and 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.

IX. **Interest Rate Risk in the Banking Book (IRRBB)**

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.

Quantitative disclosures

Rs in Crore

Particulars	As on 30.09.13
Change in NII Probable impact on Net Interest income for 100 Bps downward movement in interest rate	89.28
Change in MVE Probable impact on Market Value of equity (MVE) for a 200 Bps upward movement in interest rates.	54.21

X. General Disclosure for exposures related to counterparty credit risk

Counterparty credit risk is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. An economic loss would occur if the transactions or portfolio of transactions with the counterparty has a positive economic value at the time of default. Unlike exposure to credit risk through a loan, where the exposure to credit risk is unilateral and only the lending bank faces the risk of loss, CCR creates a bilateral risk of loss: the market value of the transaction can be positive or negative to either counterparty to the transaction. The market value is uncertain and can vary over time with the movement of underlying market factors.

RBI wide circular number DBOD.No.BP.BC.88/21.06.201/2012-13 dated March 28, 2013 on *'Guidelines on Implementation of Basel III Capital Regulations in India – Clarifications'*, in terms of requirements for CVA risk capital charges would become effective as on January 1,2014. Hence capital charge for counterparty credit risk is not computed for the current quarter.

XI. Table DF-11: Composition of Capital

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**	**Ref No.**
Common Equity Tier 1 capital: instruments and reserves				
1	Directly issued qualifying common share capital plus related stock surplus (share premium)	10825.18		
2	Retained earnings	17,838.10		
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	28663.28		
	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)	44.94		
10	Deferred tax assets	899.64		
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	363.50		
16	Investments in own shares (if not already netted off paid- in capital on reported balance sheet)			
17	Reciprocal cross-holdings in common equity	66.50		
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% threshold6			
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	1374.58		
29	Common Equity Tier 1 capital (CET1)	27,288.69		
	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 instruments				
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)	27,288.69		

Tier 2 capital: instruments and provisions				
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	2000.00		
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	2,271.88		
51	Tier 2 capital before regulatory adjustments	4,271.88		
Tier 2 capital: regulatory adjustments				
52	Investments in own Tier 2 instruments			
53	Reciprocal cross-holdings in Tier 2 instruments	20.00		
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	20.00		
58	Tier 2 capital (T2)	4,251.88		
58a	Tier 2 capital reckoned for capital adequacy	4,251.88		
58b	Excess Additional Tier 1 capital reckoned as Tier 2 capital	0		
58c	Total Tier 2 capital admissible for capital adequacy (58a + 58b)	4,251.88		
59	Total capital (TC = T1 + T2) (45 + 58c)	31,540.57		
	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)	243268.30		
60a	*of which: total credit risk weighted assets*	212969.75		
60b	*of which: total market risk weighted assets*	8587.33		
60c	*of which: total operational risk weighted assets*	21711.22		
Capital ratios				
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	11.22%		
62	Tier 1 (as a percentage of risk weighted assets)	11.22%		
63	Total capital (as a percentage of risk weighted assets)	12.97%		
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets)			
65	*of which: capital conservation buffer requirement*			
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)			

	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 IIIminimum)	**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 betweenMarch 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	Particulars	(Rs. in mio)
10	Deferred tax assets associated with accumulated losses	-
	Deferred tax assets (excluding those associated with accumulated losses) net of Deferred tax liability	899.64
	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	-
	of which: Increase in Additional Tier 1 capital	-
	of which: Increase in Tier 2 capital	-
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	-
	(ii) Increase in risk weighted assets	-
44a	Excess Additional Tier 1 capital not reckoned for capital adequacy (difference between Additional Tier 1 capital as reported in row 44 and admissible Additional Tier 1 capital as reported in 44a)	-
	of which: Excess Additional Tier 1 capital which is considered as Tier 2 capital under row 58b	-
50	Eligible Provisions included in Tier 2 capital	1637.72
	Eligible Revaluation Reserves included in Tier 2 capital	634.16
	Total of row 50	2271.88
58a	Excess Tier 2 capital not reckoned for capital adequacy (difference between Tier 2 capital as reported in row 58 and T2 as reported in 58a)	-

XII. Table DF-12: Composition of Capital- Reconciliation Requirements

Step 1

(Rs. in mio)

		Balance sheet as in financial statements	**Balance sheet under regulatory scope of**
		As on reporting	**As on reporting**
A	**Capital & Liabilities**		
i.	Paid-up Capital	1340.93	
	Reserves & Surplus	31,113.96	
	Minority Interest	0.00	
	Total Capital	32,454.89	
ii	Deposits	434,783.25	
	of which: Deposits from banks	19,788.60	
	of which: Customer deposits	414,994.65	
	of which: Other deposits (pl. specify)	0.00	
iii	Borrowings	24,222.09	
	of which: From RBI	2,750.00	
	of which: From banks	352.32	
	of which: From other institutions & agencies	6,819.69	
	of which: Others (pl. specify) Borrowings from outside India	14,300.08	
	of which: Capital instruments		
iv.	Other liabilities & provisions	8,935.66	
	Total	**500,421.53**	
B	**Assets**		
i	Cash and balances with Reserve Bank of India	21,185.76	
	Balance with banks and money at call and short	17,679.38	
ii	Investments:	1,32,784.20	
	of which: Government securities	1,09,131.23	
	of which: Other approved securities	-	
	of which: Shares	1,980.80	
	of which: Debentures & Bonds	2,476.25	
	of which: Subsidiaries / Joint Ventures /	0.00	
	of which: Others (Commercial Papers, Mutual	19,195.92	
iii	Loans and advances	3,17,425.71	
	of which: Loans and advances to banks	0.00	
	of which: Loans and advances to customers	3,17,425.71	

iv	Fixed assets	3,984.56	
v	Other assets	7,361.92	
	of which: Goodwill and intangible assets	-	
	of which: Deferred tax assets	899.64	
vi	Good will on consolidation	-	
vii	Debit balance in Profit & Loss account	-	
	Total Assets	**5,00,421.53**	

Step 2 **(Rs. in mio)**

		Balance sheet as in financial statements	Balance sheet under regulatory	Ref No.
		As on reporting date	**As on reporting**	
A	**Capital & Liabilities**			
i.	Paid-up Capital	1,340.93		**(a)**
	of which : Amount eligible for CET1	1,340.93		**(a) (i)**
	of which : Amount eligible for AT1			
	Reserves & Surplus	31,113.96		**(b)**
	of which : Amount eligible for CET1			
	Statutory Reserve	5844.04		**(b) (i)**
	Share Premium	9484.25		**(b)(ii)**
	General Reserve	10759.16		**(b) (iii)**
	Capital Reserve	432.26		**(b)(iv)**
	Special reserve under Section 36(i) (viii) of Income Tax Act	432.80		**(b)(v)**
	Balance in P/L a/c. at the end of the previous financial year	369.63		**(b)(vi)**
	Current Financial Year Profit(Not eligible due to high incremental provision in second quarter of the previous year)			
	Investment Reserve Account (part of Tier 2	27.49		**(b)(vii)**
	Revaluation Reserve (part of Tier 2 Capital, at a discount of 55 per cent)	606.66		**(b)(viii)**
	Minority Interest	0.00		
	Total Capital	32454.89		**(a)+(b)**
ii	Deposits	434,783.25		**(c)**
	of which: Deposits from banks	19788.60		**(c)(i)**
	of which: Customer deposits	414994.65		**(c)(ii)**
	of which: Other deposits (pl. specify)			
iii	Borrowings	24222.09		**(d)**
	of which: From RBI	2750.00		**(d)(i)**
	of which: From banks	352.32		**(d)(ii)**
	of which: From other institutions & agencies	6819.69		**(d)(iii)**
	of which: Others (pl. specify) Borrowings from outside India	14300.08		**(d)(iv)**

	of which: Capital instruments	2000.00		**(d)(v)**
	Capital instrument subject to phase out and included in Tier 2 Capital			

iv.	Other liabilities & provisions	8935.56		**(e)**
	of which: Standard Asset provision included under Tier 2 Capital	1637.72		**(e)(i)**
	of which : DTLs related to goodwill	0.00		**(e)(ii)**
	of which : Details related to intangible	0.00		
	Total	**500,421.53**		**(a)+(b)+(c)+(d)+(e)**
B	**Assets**			
i	Cash and balances with Reserve Bank of	21185.76		**(f)**
	Balance with banks and money at call and short notice	17679.38		**(g)**
ii	Investments:	132784.20		**(h)**
	of which: Government securities	109131.23		**(h)(i)**
	of which: Other approved securities	0.00		**(h)(ii)**
	of which: Shares	1980.80		**(h)(iii)**
	of which: Debentures & Bonds	2476.25		**(h)(iv)**
	of which: Subsidiaries / Joint Ventures / Associates			
	of which: Others (Commercial Papers, Mutual	19195.92		**(h)(v)**
iii	Loans and advances	317425.71		**(i)**
	of which: Loans and advances to banks			
	of which: Loans and advances to customers	317425.71		**(i)(i)**
iv	Fixed assets	3984.56		**(j)**
v	Other assets	7361.92		**(k)**
	of which: Goodwill and intangible assets Out of which :			
	Goodwill			**(k)(i)**
	Other Intangibles (excluding MSRs)	408.44		**(k)(ii)**
	Deferred tax assets	899.64		**(k)(iii)**
vi	Good will on consolidation			**(l)**
vii	Debit balance in Profit & Loss account			**(m)**
	Total Assets	**500421.53**		**(f)+(g)+(h)+(i)+(j)+(k)+(l)+(m)**

Step 3

Common Equity Tier 1 capital : instruments and reserves			
		Component of regulator capital reported by bank	**Source based on reference number / letters of the balance sheet under the regulatory scope of consolidation from**
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock	10825.18	**(a) (i)+b(ii)**
2	Retained earnings	17838.10	**(b)(i)+(b)(iii)+ (b)(iv)+(b)(v)+(b)vi)**
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)		
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)		
6	**Common Equity Tier I capital before Regulatory adjustments**	**28663.28**	**(b)(i)+(b)(iii)+ (b)(iv)+(b)(v)+(b)(vi) +(a)(i)+b(ii)**
7	**Prudential valuation adjustments**	**-**	
8	**Goodwill (net of related tax liability)**	**-**	

XIII. Main Features of Regulatory Capital Instruments

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	Indian Law
	Regulatory treatment	
4	Transitional Basel III rules	Sub-ordinated Tier 2 Bonds
5	Post-transitional Basel III rules	Ineligible
6	Eligible at solo/group/ group & solo	Solo
7	Instrument type	Tier 2 Debt Instrument
8	Amount recognised in regulatory capital (Rs. in million, as of most recent reporting date)	Rs. 2000 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	20.04.2020
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N A
16	Subsequent call dates, if applicable	N A
	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 to redeem	No
22	Noncumulative or cumulative	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

XIV. Full Terms and Conditions of Regulatory Capital Instruments

Instruments	Full Terms and Conditions
Unsecured Redeemable Non-Convertible Subordinated Bonds in the nature of Promissory Notes - INE683A09091	Issue Size: Rs. 2000 Million. Date of Allotment: 20.08.2009. Date of Redemption: 20.04.2020. Par Value : Rs. 1 Million. Put and Call Option: None. Rate of Interest and Frequency: @ 9.75% p.a. payable semi annual.