

Disclosure under Basel III norms as on 31st March 2019

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 2020. 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 31st March 2019 is 10.875 % with minimum Common Equity Tier 1 (CET1) of 7.375% (including CCB of 1.875%).

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 quarterly 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

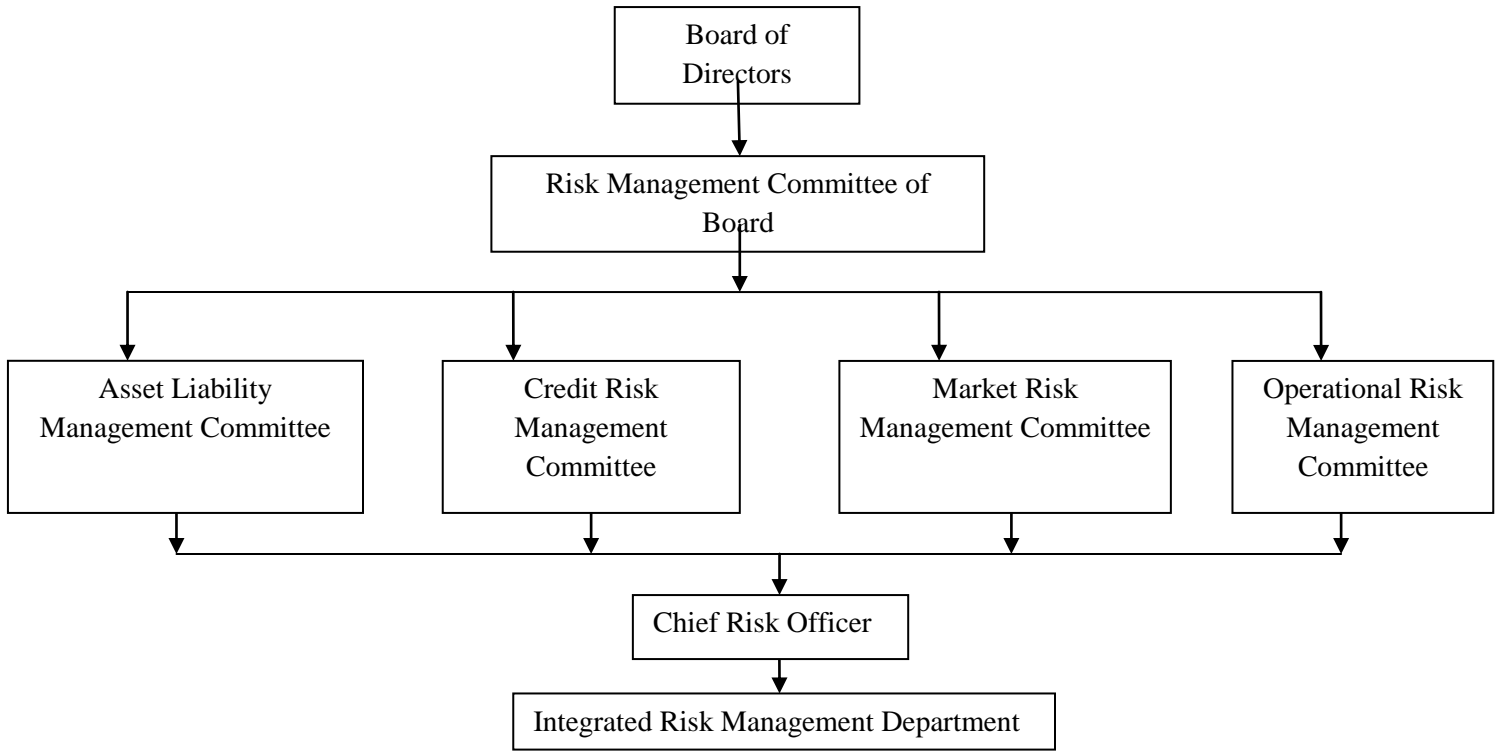
	Particulars	Amount in Rs Million
(a)	Capital requirements for Credit Risk	48,129.23
	Portfolios subject to standardized approach	0.00
	Securitization exposures	0.00
(b)	Capital requirements for Market Risk (Standardised duration)	3,032.03

	approach)	
	Interest Rate Risk	2,530.05
	Foreign Exchange Risk (including gold)	48.94
	Equity Risk	453.04
(c)	Capital requirements for Operational Risk (Basic Indicator Approach)	4,738.49
	Total Capital Requirement at 10.875% { (a)+ (b)+(c) }	55,899.75
	Total Capital Fund	64,810.24
	Common Equity Tier- I CRAR %	9.97 %
	Tier- I CRAR %	9.97 %
	Total CRAR %	12.61 %

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, risk officers in all Regional Offices/branches and dedicated mid office at Treasury Department at operational level. The structure and organization of Risk Management functions of the bank is as follows:



3. Credit Risk: General Disclosures

I. Qualitative Disclosure

Definition of Non Performing Assets

The bank follows extant guidelines of the RBI on income recognition, asset classification and provisioning.

- 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 instalment 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 instalment 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 instalment 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 ‘Overdue’ if it is not paid on the due date fixed by the bank.)
 - vi. Any amount to be received remains overdue for a period of more than 90 days in respect of other accounts.

- 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.

A loan for an infrastructure project will be classified as NPA during any time before commencement of commercial operations as per record of recovery (90 days overdue), unless it is restructured and becomes eligible for classification as 'standard asset' in terms of conditions laid down in the related RBI guidelines. A loan for an infrastructure project will be classified as NPA if it fails to commence commercial operations within two years from the original Date of Commencement of Commercial Operations ('DCCO'), even if it is regular as per record of recovery, unless it is restructured and becomes eligible for classification as 'standard asset' in terms of conditions laid down in the related RBI guidelines.

A loan for a non-infrastructure project (other than commercial real estate exposures) will be classified as NPA during any time before commencement of commercial operations as per record of recovery (90 days overdue), unless it is restructured and becomes eligible for classification as 'standard asset' in terms of conditions laid down in the related RBI guidelines. A loan for a non-infrastructure project (other than commercial real estate exposures) will be classified as NPA if it fails to commence commercial operations within one year from the original DCCO, even if it is regular as per record of recovery, unless it is restructured and becomes eligible for classification as 'standard asset' in terms of conditions laid down in the related RBI guidelines.

A loan for commercial real estate project will be classified as NPA during any time before commencement of commercial operations as per record of recovery (90 days overdue), or if the project fails to commence commercial operations within one year from the original DCCO or if the loan is restructured.

Special Mention Accounts

As prescribed by RBI, the Bank is required to identify incipient stress in the account by creating a Sub Asset category named as 'Special Mention Accounts' (SMA). It is considered as a corrective action plan to arrest slippages of standard assets to NPA. Accordingly, Bank is identifying three sub categories under SMA as below:

1. SMA-0- Principal or interest payment or any other amount wholly or partly overdue between 1-30 days.
2. SMA-1- Principal or interest overdue between 31-60 days.
3. SMA-2- Principal or interest overdue between 61-90 days

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 31st March 2019

Amount in Rs Million

Category	Exposure
Fund Based ¹	7,97,857.13
Non Fund Based ²	42,121.18
Total	8,39,978.31

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 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 31st March 2019

Particulars	Amount in Million
Domestic	8,39,978.31
Overseas	0.00
Total	8,39,978.31

c) Industry wise Distribution of gross advances and NPAs as on 31st March 2019

Industry Name	Gross Advance	GNPA	Standard Advance
A. Mining and Quarrying	1,221.92	22.01	1,199.91
A.1 Coal	41.33	19.11	22.22
A.2 Others	1,180.59	2.90	1,177.69
B. Food Processing	861.47	30.14	831.33
B.1 Sugar	11.26	10.25	1.01
B.2 Edible Oils and Vanaspati	43.25	-	43.25
B.3 Tea	21.44	-	21.44
B.4 Coffee	-	-	-
B.5 Others	785.53	19.88	765.64
C. Beverages (excluding Tea & Coffee) and Tobacco	3,798.58	6.02	3,792.56
C.1 Tobacco and tobacco products	555.14	-	555.14
C.2 Others	3,243.44	6.02	3,237.42
D. Textiles	30,246.42	1,467.12	28,779.30
D.1 Cotton	15,450.30	852.30	14,598.00
D.2 Jute	443.71	-	443.71
D.3 Man-made	257.69	2.08	255.61
D.4 Others	14,094.72	612.74	13,481.98
Out of D (i.e., Total Textiles) to Spinning Mills	19,643.71	1,334.56	18,309.15
E. Leather and Leather products	1,655.90	107.50	1,548.40
F. Wood and Wood Products	1,363.84	59.57	1,304.27

G. Paper and Paper Products	4,879.58	208.13	4,671.45
H. Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	4,993.68	-	4,993.68
I. Chemicals and Chemical Products (Dyes, Paints, etc.)	10,214.39	46.17	10,168.22
I.1 Fertilizers	108.70	-	108.70
I.2 Drugs and Pharmaceuticals	5,287.26	14.00	5,273.26
I.3 Petro-chemicals (excluding under Infrastructure)	-	-	-
I.4 Others	4,818.44	32.17	4,786.27
J. Rubber, Plastic and their Products	12,896.72	172.06	12,724.66
K. Glass & Glassware	1,170.08	0.16	1,169.92
L. Cement and Cement Products	11,169.44	2,329.53	8,839.91
M. Basic Metal and Metal Products	28,224.92	367.99	27,856.93
M.1 Iron and Steel	16,115.52	155.76	15,959.76
M.2 Other Metal and Metal Products	12,109.40	212.23	11,897.17
N. All Engineering	14,111.67	109.65	14,002.02
N.1 Electronics	199.30	1.03	198.27
N.2 Others	13,912.37	108.62	13,803.75
O. Vehicles, Vehicle Parts and Transport Equipments	4,308.23	2,348.43	1,959.80
P. Gems and Jewellery	6,030.37	1,443.74	4,586.63
Q. Construction	9,773.22	1,163.42	8,609.80
R. Infrastructure	25,763.37	5,938.41	19,824.96
R.a Transport (a.1 to a.6)	15,123.60	5,492.78	9,630.82
R.a.1 Roads and Bridges	15,123.60	5,492.78	9,630.82
R.a.2 Ports	-	-	-
R.a.3 Inland Waterways	-	-	-
R.a.4 Airport	-	-	-
R.a.5 Railway Track, tunnels, viaducts, bridges	-	-	-
R.a.6 Urban Public Transport (except rolling stock in case of urban road transport)	-	-	-
R.b. Energy (b.1 to b.6)	6,496.71	-	6,496.71
R.b.1 Electricity Generation	5,152.12	-	5,152.12
R.b.1.1 Central Govt PSUs	-	-	-
R.b.1.2 State Govt PSUs (incl. SEBs)	703.57	-	703.57
R.b.1.3 Private Sector	4,448.55	-	4,448.55
R.b.2 Electricity Transmission	1,301.15	-	1,301.15
R.b.2.1 Central Govt PSUs	-	-	-
R.b.2.2 State Govt PSUs (incl. SEBs)	590.59	-	590.59
R.b.2.3 Private Sector	710.56	-	710.56
R.b.3 Electricity Distribution	43.44	-	43.44
R.b.3.1 Central Govt PSUs	-	-	-

R.b.3.2 State Govt PSUs (incl. SEBs)	-	-	-
R.b.3.3 Private Sector	43.44	-	43.44
R.b.4 Oil pipelines	-	-	-
R.b.5 Oil/Gas/Liquefied Natural Gas (LNG) storage facility	-	-	-
R.b.6 Gas pipelines	-	-	-
R.c. Water and Sanitation (c.1 to c.7)	-	-	-
R.c.1 Solid Waste Management	-	-	-
R.c.2 Water supply pipelines	-	-	-
R.c.3 Water treatment plants	-	-	-
R.c.4 Sewage collection, treatment and disposal system	-	-	-
R.c.5 Irrigation (dams, channels, embankments etc)	-	-	-
R.c.6 Storm Water Drainage System	-	-	-
R.c.7 Slurry Pipelines	-	-	-
R.d. Communication (d.1 to d.3)	2.76	-	2.76
R.d.1 Telecommunication (Fixed network)	-	-	-
R.d.2 Telecommunication towers	-	-	-
R.d.3 Telecommunication and Telecom Services	2.76	-	2.76
R.e. Social and Commercial Infrastructure (e.1 to e.9)	-	-	-
R.e.1 Education Institutions (capital stock)	-	-	-
R.e.2 Hospitals (capital stock)	-	-	-
R.e.3 Three-star or higher category classified hotels located outside cities with population of more than 1 million	-	-	-
R.e.4 Common infrastructure for industrial parks, SEZ, tourism facilities and agriculture markets	-	-	-
R.e.5 Fertilizer (Capital investment)	-	-	-
R.e.6 Post harvest storage infrastructure for agriculture and horticultural produce including cold storage	-	-	-
R.e.7 Terminal markets	-	-	-
R.e.8 Soil-testing laboratories	-	-	-
R.e.9 Cold Chain	-	-	-
R.f. Others, if any, please specify	4,140.29	445.63	3,694.66
Social Infrastructure	4,140.29	445.63	3,694.66
S. Other Industries	7,444.90	267.68	7,177.22
All Industries (A to S)	1,80,128.70	16,087.71	1,64,041.00

d) Residual Contractual Maturity breakdown of Assets as on 31st March 2019

(Rs in Million)

Time band	Cash and Balance with RBI	Balance with Banks	Investments	Loans & Advances	Fixed Asset	Other Assets
Next Day	5,004.65	556.45	3,555.65	15,442.18	-	115.85
2 - 7 Day	-	10,240.74	7,958.25	10,220.88	-	442.40
8 - 14 Day	-	18.35	1,389.4s4	11,920.39	-	558.25
15 - 30 Day	1,249.89	129.75	3,225.64	15,547.73	-	957.41
31 - 2 Months	1,848.45	354.55	10,059.22	27,907.91	-	1,855.04
29 - 3 Months	1,812.59	306.03	8,257.37	34,179.18	-	1,858.37
3 - 6 Months	2,749.23	-	7,586.21	48,289.88	-	4,628.66
6 - 12 Months	2,989.43	-	15,157.10	86,428.40	-	8,827.24
1 - 3 year	1,557.36	-	15,604.43	86,107.49	-	19,084.13
3 - 5 year	1,872.97	-	14,745.95	42,091.22	-	773.35
Over 5 Year	17,533.62	-	1,03,274.51	2,48,802.18	7,086.63	10,629.56
Total	36,618.19	11,605.87	1,90,813.77	6,26,937.44	7,086.63	49,730.26

e) The composition of Gross NPAs and NPIs, Net NPAs, NPA ratios and provision for GNPA and GNPIs as on 31st March 2019 and movement of gross NPAs and provisions during the year ended 31st March 2019 are given in following table.

(Rs in Million)

1	Amount of Gross NPAs	31,316.73
	• Substandard	14,455.07
	• Doubtful-I	9,782.88
	• Doubtful-2	6,189.96
	• Doubtful-3	464.92
	• Loss	423.90
2	Net NPA	21,636.24
3	NPA Ratios	
	• Gross NPA to Gross Advance (%)	4.92
	• Net NPA to Net Advance (%)	3.45

Movement of N PA (Gross)		
•	Opening Gross NPA (balance as on 01.04.2018)	19,803.05
•	Additions to Gross NPA	18,478.62
Reductions to Gross NPA		6,964.94
•	<i>Up gradations</i>	2,732.68
•	<i>Recoveries (excluding recoveries made from upgraded accounts)</i>	2,065.02
•	<i>Technical/prudential write offs</i>	2,167.24
•	<i>Reduction by sale of assets to ARCs</i>	0.00
•	Closing Balance of Gross NPA (balance as on 31.03.2019)	31,316.73

Movement of Specific & General Provision – Position as on 31st March 2019

(Rs in million)

Movement of Provision	Specific Provision	General Provision
• Opening Balance as on 01.04.2018	5,410.53	0.00
• Provision made in 2018-19	7,094.37	0.00
• Write off/ Write back of excess provision	3,126.65	0.00
• Closing Balance as on 31.03.2019	9,378.25	0.00

NPIs and Movement of Provision for Depreciation on Investments – Position as on 31st March 2019

(Rs in million)

1	Amount of Non Performing Investments (Gross)	654.14
2	Amount of Provisions held Non Performing Investments	482.84
3	Movement of Provisions for Depreciation on Investments	
	• Opening Balance (as on 01.04.2018)	3,426.22
	• Provision made in 2018-19	1,041.78
	• Write-offs / Write-back of excess provisions during the period	514.80
	• Closing Balance (as on 31.03.2019)	3,953.20

Geographical Distribution of NPA and Provision

Geography	Gross NPA	Specific Provision	General Provision
Domestic	31,316.73	9,378.25	0.00
Overseas	0.00	0.00	0.00
Total	31316.73	9,378.25	0.00

**Details of write-offs and recoveries that have been booked directly to the income statement-
for the year ending 31st March 2019**

Write-offs that have been booked directly to the income statement	702.88
Recoveries that have been booked directly to the income statement	117.73

4: Credit Risk: Disclosure for Portfolios under Standardized Approach

I. Qualitative Disclosure

a. Names of credit rating agencies used

Bank has approved all the seven 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. Credit Rating Information Services of India Limited (CRISIL)
2. Credit Analysis and Research Limited (CARE)
3. India Ratings and Research Private Limited
4. ICRA Limited (ICRA)
5. Brickwork Ratings India Pvt. Ltd
6. Acuite Ratings and Research Ltd
7. Infomerics Valuation and Rating Pvt Limited

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 31st March 2019 under major three risk buckets

Description of risk bucket	Rs in Million
Below 100% Risk Weight	5,64,489.96
Risk Weight at 100%	1,74,087.56
More than 100% Risk Weight	70,427.40
Deducted if any	0.00

(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 decision on the type and quantum of collateral for each transaction is taken by the credit approving committees 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 / Acuite 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/Acuite 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/Acuite 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 31st March 2019 is given in table below

S No	Nature of Exposure	Exposure	Amount of Risk Mitigants	Risk Weighted Assets
1	Exposure covered by Gold	61,892.12	84,276.66	9.30
2	Exposure covered by deposits	20542.42	22824.91	0.00
3	Loan against KVP / IVP/NSC/LIC	79.85	105.36	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 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

S No	Particulars	Capital Requirement
1	Interest rate risk	2,530.05
2	Foreign Exchange Risk	48.94
3	Equity Position Risk	453.04

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.

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 31 st March 2019
Change in NII	
Probable impact on Net Interest income for 100 Bps downward movement in interest rate	127.01
Change in MVE	
Probable impact on Market Value of equity (MVE) for a 200 Bps movement in interest rates.	3,234.65

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 31st March 2019 is as follows:

Particulars	Rs in Million
Forward Contracts valued based on CEM	2,245.44
Total	2,245.44

Table DF 11. Composition of capital as on 31st March 2019

Rs in Million

Basel III common disclosure template			Ref No
Common Equity Tier 1 capital: instruments and reserves			
1	Directly issued qualifying common share capital plus related stock surplus (share premium)	17,360.74	
2	Retained earnings	31,602.40	
3	Accumulated other comprehensive income (and other reserves)	2,856.43	
4	<i>Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)</i>	0.00	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	0.00	
6	Common Equity Tier 1 capital before regulatory adjustments	51,819.58	
Common Equity Tier 1 capital: regulatory adjustments			
7	Prudential valuation adjustments	0.00	
8	Goodwill (net of related tax liability)	0.00	
9	Intangibles other than mortgage-servicing rights (net of related tax liability)	545.56	
10	Deferred tax assets	0.00	
11	Cash-flow hedge reserve	0.00	
12	Shortfall of provisions to expected losses	0.00	
13	Securitization gain on sale	0.00	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	0.00	
15	Defined-benefit pension fund net assets	0.00	
16	Investments in own shares (if not already netted off paid- in capital on reported balance sheet)	0.00	
17	Reciprocal cross-holdings in common equity	28.78	
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)	0.00	

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)	0.00	
20	Mortgage servicing rights (amount above 10% threshold)	0.00	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	0.00	
22	Amount exceeding the 15% threshold	0.00	
23	<i>of which: significant investments in the common stock of financial entities</i>	0.00	
24	<i>of which: mortgage servicing rights</i>	0.00	
25	<i>of which: deferred tax assets arising from temporary differences</i>	0.00	
26	National specific regulatory adjustments (26a+26b+26c+26d)	0.00	
26a	<i>of which: Investments in the equity capital of the unconsolidated insurance subsidiaries</i>	0.00	
26b	<i>of which: Investments in the equity capital of unconsolidated non-financial subsidiaries</i>	0.00	
26c	<i>of which: Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank</i>	0.00	
26d	<i>of which: Unamortized pension funds expenditures</i>	0.00	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	0.00	
28	Total regulatory adjustments to Common equity Tier 1	574.33	
29	Common Equity Tier 1 capital (CET1)	51,245.24	
Additional Tier 1 capital: instruments			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (share premium) (31+32)	0.00	
31	<i>of which: classified as equity under applicable accounting standards (Perpetual Non-Cumulative Preference Shares)</i>	0.00	
32	<i>of which: classified as liabilities under applicable accounting standards (Perpetual debt Instruments)</i>	0.00	

33	<i>Directly issued capital instruments subject to phase out from Additional Tier 1</i>	0.00	
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)	0.00	
35	<i>of which: instruments issued by subsidiaries subject to phase out</i>	0.00	
36	Additional Tier 1 capital before regulatory adjustments	0.00	
Additional Tier 1 capital: regulatory adjustments			
37	Investments in own Additional Tier 1 instruments	0.00	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	0.00	
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)	0.00	
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)	0.00	
41	National specific regulatory adjustments (41a+41b)	0.00	
41a	<i>of which: Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries</i>	0.00	
41b	<i>of which: Shortfall in the Additional Tier 1 capital of majority owned financial entities which have not been consolidated with the bank</i>	0.00	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	0.00	
43	Total regulatory adjustments to Additional Tier 1 capital	0.00	
44	Additional Tier 1 capital (AT 1)	0.00	
45	Tier 1 capital (T1 = CET1 + AT1) (29 + 44)	51,245.24	
Tier 2 capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	10,800	
47	Directly issued capital instruments subject to phase out from Tier 2	0.00	

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)	0.00	
49	<i>of which: instruments issued by subsidiaries subject to phase out</i>	0.00	
50	Provisions	2,792.75	
51	Tier 2 capital before regulatory adjustments	13,592.75	
Tier 2 capital: regulatory adjustments			
52	Investments in own Tier 2 instruments		
53	Reciprocal cross-holdings in Tier 2 instruments	27.75	
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)	0.00	
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	0.00	
56	National specific regulatory adjustments (56a+56b)	0.00	
56a	<i>of which: Investments in the Tier 2 capital of unconsolidated subsidiaries</i>	0.00	
56b	<i>of which: Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the bank</i>	0.00	
57	Total regulatory adjustments to Tier 2 capital	27.75	
58	Tier 2 capital (T2)	13,565.00	
59	Total capital (TC = T1 + T2) (45 + 58)	64,810.24	
60	Total risk weighted assets (60a + 60b + 60c)	5,14,020.73	
60a	<i>of which: total credit risk weighted assets</i>	4,42,567.67	
60b	<i>of which: total market risk weighted assets</i>	27,880.73	
60c	<i>of which: total operational risk weighted assets</i>	43,572.33	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	9.97%	
62	Tier 1 (as a percentage of risk weighted assets)	9.97%	
63	Total capital (as a percentage of risk weighted assets)	12.61%	

64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirement plus G-SIB buffer requirement , expressed as a percentage of risk weighted assets)	0.00	
65	<i>of which: capital conservation buffer requirement</i>	1.875%	
66	<i>of which: bank specific countercyclical buffer requirement</i>	0.00	
67	<i>of which: G-SIB buffer requirement</i>	0.00	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	2.60%	
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	0.00	
73	Significant investments in the common stock of financial entities	0.00	
74	Mortgage servicing rights (net of related tax liability)	0.00	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	0.00	
Applicable caps on the inclusion of provisions in Tier 2			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	2,571.30	
77	Cap on inclusion of provisions in Tier 2 under standardized approach	5,532.10	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	0.00	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	0.00	
Capital instruments subject to phase-out arrangements (only applicable between March 31, 2017 and March 31, 2022)			

80	<i>Current cap on CET1 instruments subject to phase out arrangements</i>	0.00	
81	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	0.00	
82	<i>Current cap on AT1 instruments subject to phase out arrangements</i>	0.00	
83	<i>Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)</i>	0.00	
84	<i>Current cap on T2 instruments subject to phase out arrangements</i>	0.00	
85	<i>Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)</i>	0.00	

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 off deferred tax liability	415.13
	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	0.00
	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:	0.00
	(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	2,571.30
	Eligible Investment Fluctuation Reserve included in Tier 2 capital	221.45
	Total of row 50	2,792.75

Table DF-12 Composition of Capital- Reconciliation Requirements

Step I

As on the reporting date there is consolidation and hence the bank is not required to disclose the reported balance sheet under the regulatory scope of consolidation.

Step II

Rs in Million

		Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation	Ref No.
		As on reporting date	As on reporting date	
A	Capital & Liabilities			
i.	Paid-up Capital	1,809.68		(a)
	<i>of which</i> : Amount eligible for CET1	1,809.68		(a)(i)
	<i>of which</i> : Amount eligible for AT1	0.00		
	Reserves & Surplus	51,819.58		(b)
	<i>of which</i> : Amount eligible for CET1	51,245.24		
	<i>Statutory Reserve</i>	11,151.63		(b)(i)
	<i>Share Premium</i>	15,551.06		(b)(ii)
	<i>General Reserve</i>	13,689.54		(b)(iii)
	<i>Capital Reserve</i>	1,782.80		(b)(iv)
	Special reserve under Section 36(i) (viii) of Income Tax Act	3,993.9		(b)(v)
	<i>Balance in P/L a/c. at the end of the previous financial year</i>	2,667.93		(b)(vi)
	<i>Current Financial Year carry forward Profit</i>	99.58		(b)(vii)
	<i>Investment Fluctuation Reserve Account (part of Tier 2 Capital)</i>	221.45		(b)(viii)
	<i>Revaluation Reserve (part of Tier 2/Tier I Capital, at a discount of 55 per cent)</i>	1,073.63		(b)(ix)
	Minority Interest	0.00		

	Total Capital	64,810.24		(a)+(b)
ii	Deposits	8,04,201.18		(c)
	<i>of which:</i> Deposits from banks	25,981.09		(c)(i)
	<i>of which:</i> Customer deposits	7,19,625.84		(c)(ii)
	<i>of which:</i> Other deposits (pl. specify) CD	58,594.26		
iii	Borrowings	49,032.03		(d)
	<i>of which:</i> From RBI	0.00		(d)(i)
	<i>of which:</i> From banks	1,955.00		(d)(ii)
	<i>of which:</i> From other institutions & agencies	33,945.00		(d)(iii)
	<i>of which:</i> Others (pl. specify) Borrowings from outside India	13,132.00		(d)(iv)
	<i>of which:</i> Capital instruments	0.00		(d)(v)
iv.	<i>Other liabilities & provisions & ESOP</i>	16,205.71		(e)
	<i>of which: Standard Asset provision included under Tier 2 Capital</i>	2,466.62		(e)(i)
	<i>of which : DTLs related to goodwill</i>	0.00		(e)(ii)
	<i>of which : Details related to intangible assets</i>	0.00		
	<i>Total</i>	9,22,792.18		(a)+(b)+(c)+(d)+ (e)
B	<i>Assets</i>			
i	<i>Cash and balances with Reserve Bank of India</i>	36,618.18		(f)
	<i>Balance with banks and money at call and short notice</i>	11,609.37		(g)
ii	<i>Investments:</i>	1,90,813.79		(h)
	<i>of which: Government securities</i>	1,67,619.35		(h)(i)
	<i>of which: Other approved securities</i>	0.00		(h)(ii)
	<i>of which: Shares</i>	1,675.39		(h)(iii)
	<i>of which: Debentures & Bonds</i>	9,460.66		(h)(iv)
	<i>of which: Subsidiaries / Joint Ventures /Associates</i>	0.00		
	<i>of which: Others (Commercial Papers, Mutual Funds etc.)</i>	12,056.58		(h)(v)
iii	<i>Loans and advances</i>	6,26,937.45		(i)
	<i>of which: Loans and advances to banks</i>	0.00		

	<i>of which: Loans and advances to customers</i>	6,26,937.45		(i)(i)
iv	<i>Fixed assets</i>	7,086.63		(j)
v	<i>Other assets</i>	49,726.77		(k)
	<i>of which: Goodwill and intangible assets</i>	960.65		
	<i>Out of which :</i>			
	<i>Goodwill</i>	0.00		(k)(i)
	<i>Other Intangibles (excluding MSRs)</i>	545.52		(k)(ii)
	<i>Deferred tax assets</i>	415.13		(k)(iii)
vi	<i>Good will on consolidation</i>	0.00		(l)
vii	<i>Debit balance in Profit & Loss account</i>	0.00		(m)
	Total Assets	9,22,792.18		(f)+(g)+(h)+(i)+(j)+(k)+(l)+(m)

Table DF 13: Main Features of Regulatory Capital Instruments

Series 1

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
	<i>Regulatory treatment</i>	
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. 400 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	NA
16	Subsequent call dates, if applicable	NA
	<i>Coupons / dividends</i>	
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	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

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	Indian Law
	<i>Regulatory treatment</i>	
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
	<i>Coupons / dividends</i>	
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 to redeem	NA
22	Noncumulative 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	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

Series III

1	Issuer	The South Indian Bank Ltd.
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	INE683A08036
3	Governing law(s) of the instrument	Indian Law
	<i>Regulatory treatment</i>	
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	Non-convertible, Redeemable, Fully Paid-Up, Unsecured, Basel III compliant Tier 2 Bonds in the nature of debentures for augmenting Tier 2 capital of the Issuer with face value of Rs.1,00,000 each .
8	Amount recognised in regulatory capital (Rs. in million, as of most recent reporting date)	Rs.4,900 Million
9	Par value of instrument	Rs.1,00,000
10	Accounting classification	Liability
11	Original date of issuance	28-11-2018
12	Perpetual or dated	Dated
13	Original maturity date	28-05-2028
14	Issuer call subject to prior supervisory approval	YES
15	Optional call date, contingent call dates and redemption amount	On the fifth anniversary from the Date of Allotment i.e. November 28, 2022
16	Subsequent call dates, if applicable	On every anniversary of Coupon Payment Date after First Call Option Due Date
	<i>Coupons / dividends</i>	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	9.50 % p.a
19	Existence of a dividend stopper	NA
20	Fully discretionary, partially discretionary or mandatory	NA
21	Existence of step up or other incentive to redeem	NA
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	NA

	convertible into	
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

Series IV

1	Issuer	The South Indian Bank Ltd.
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	INE683A08044
3	Governing law(s) of the instrument	Indian Law
	<i>Regulatory treatment</i>	
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	Non-convertible, Redeemable, Fully Paid-Up, Unsecured, Basel III compliant Tier 2 Bonds with face value of Rs.1,00,000 each
8	Amount recognised in regulatory capital (Rs. in million, as of most recent reporting date)	Rs.2500 million
9	Par value of instrument	Rs.1,00,000
10	Accounting classification	Liability
11	Original date of issuance	26-03-2019
12	Perpetual or dated	dated
13	Original maturity date	26-06-2029
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Only after a minimum period of 5 years and 3 months post allotment of the Bonds with the approval of RBI. i.e June 26, 2024
16	Subsequent call dates, if applicable	On every anniversary of Coupon Payment Date after First Call Option Due Date
	<i>Coupons / dividends</i>	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	11.75% p.a
19	Existence of a dividend stopper	NA

20	Fully discretionary, partially discretionary or mandatory	NA
21	Existence of step up or other incentive to redeem	NA
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	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 general creditors of the Bank
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

Series III

Nature Of Instrument	Non-convertible, Redeemable, Fully Paid-Up, Unsecured, Basel III compliant Tier 2 Bonds in the nature of debentures for augmenting Tier 2 capital of the Issuer with face value of Rs.1,00,000 each .
Amount Subscribed	Rs.4900 Million
Face Value	Rs.1,00,000
Date of allotment	28-11-2017
Date of Redemption	28-05-2028
Coupon Rate	9.50% p.a
Put and call option	Put option: NA Call option: Applicable
Issuance, Trading & Listing	Listed in BSE

Series IV

Nature Of Instrument	Non-convertible, Redeemable, Fully Paid-Up, Unsecured, Basel III compliant Tier 2 Bonds in the nature of debentures for augmenting Tier 2 capital of the Issuer with face value of Rs.1,00,000 each .
Amount Subscribed	Rs.2500 million
Face Value	Rs.1,00,000/-
Date of allotment	26-03-2019
Date of Redemption	26-06-2029
Coupon Rate	11.75% p.a
Put and call option	Put Option : N.A Call option: Applicable
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 four members of which two members 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 directives on 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 policies 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.
 - xix. To review HR Strategy aligning with business strategy of the Bank.
 - xx. To review the skill gaps and talent pool creation
- 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 year ended 31.03.2019 (from 01.04.18 – 31.03.19)	8
Remuneration paid to its members. (from 01.04.18 – 31.03.19)	10.50 Lakhs

Number of employees having received a variable remuneration award during the financial year.	0
Number of sign-on awards made during the financial year.	0
Total amount of sign-on awards made during the financial year.	0
Details of guaranteed bonus, if any, paid as joining / sign on bonus.	0
Details of severance pay, in addition to accrued benefits, if any.	0
Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.	0
Total amount of deferred remuneration paid out in the financial year.	0
Breakdown of amount of remuneration awards for the year ended 31.03.2019 (from 01.04.18 – 31.03.19)	
- Fixed	103.68 Lakhs
- Variable	Nil

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	9,22,792.17
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	(57.43)
4	Adjustments for derivative financial instruments	2,245.45

5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	0.00
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off- balance sheet exposures)	32,764.83
7	Other adjustments	0.00
8	Leverage ratio exposure	9,57,228.12

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)	9,22,792.17
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(574.33)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	9,22,217.84
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	879.07
5	Add-on amounts for PFE associated with all derivatives transactions	1,366.37
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)	2,245.44
Securities financing transaction exposures		

12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	0.00
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0.00
14	CCR exposure for SFT assets	0.00
15	Agent transaction exposures	0.00
16	Total securities financing transaction exposures (sum of lines 12 to 15)	0.00
Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	1,90,576.63
18	(Adjustments for conversion to credit equivalent amounts)	(1,57,811.80)
19	Off-balance sheet items (sum of lines 17 and 18)	32,764.83
Capital and total exposures		
20	Tier 1 capital	51,245.24
21	Total exposures (sum of lines 3, 11, 16 and 19)	9,57,228.12
Leverage ratio		
22	Basel III leverage ratio	5.35 %