

**Basel III – Pillar 3 disclosures for the year ended December, 2020**
**1. Capital Requirement**
**Qualitative disclosures**
Bank's approach to assessing the 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. The Bank's policy is to maintain a strong capital to maintain confidence of depositors and market and to sustain future business developments.

The bank is fully committed to implementing the Basel III as adopted by the Reserve Bank of India and currently follows Standardised approach for credit and market risk and Basic Indicator approach for operational risk.

**Quantitative disclosures:**

The details of capital, risk weighted assets and capital adequacy ratio as of 31<sup>st</sup> December 2020 are as follows:

**(Rs. in millions)**

<b>Capital Requirements for various Risks</b>	
<b>Credit Risk</b>	
Capital requirements for credit risk:	
• Portfolios subject to standardised approach	2,191
• Securitisation exposures*	-

\* Bank does not have any exposure to securitization transactions

**(Rs. in millions)**

<b>Market Risk</b>	
Capital requirements for market risk:	
Standardised duration approach;	161
❖ Interest rate risk	98
❖ Foreign exchange risk (including gold)	37
❖ Equity risk	26

**(Rs. in millions)**

<b>Operational Risk</b>	
Capital requirements for operational risk:	
• Basic Indicator Approach	117
• The Standardised Approach (if applicable)	-

**Note:- Capital requirement has been computed at 10.875% of RWA**

<b>Capital Adequacy Ratios</b>	<b>Ratio</b>
Common Equity Tier – 1 CRAR	25.15%
Tier – 1 CRAR	25.15%
Total CRAR	26.14%

**2. Risk Exposure and Assessment**
**General qualitative disclosure on risk area, risk management objective policies and processes etc:**

The Bank has identified the following risks as material to its nature of operations:

- ▶ Credit Risk
- ▶ Credit Concentration Risk
- ▶ Market Risk
- ▶ Interest Rate Risk in the Banking Book
- ▶ Liquidity Risk
- ▶ Operational Risk
- ▶ Fraud Risk
- ▶ Compliance Risk
- ▶ Strategic and Business Risk

- ▶ Reputational Risk

## Risk Management framework

### Overview

The Bank's risk management framework is embedded in the business through the different levels supported by an appropriate level of investment in information technology and its people.

### Credit Risk

The Bank has a comprehensive credit risk framework to manage Credit Risk, in a uniform and consistent manner.

- ▶ Bank maintains independence and integrity of credit decision-making, credit under working function is segregated from loan origination.
- ▶ Bank adheres to the RBI prudential requirements with respect to lending norms.
- ▶ All credit proposals are analysed through borrower's historical financial statements and projections, which includes a thorough review of traditional methods of ratio analysis, evaluation of asset conversion cycle, balance sheet structure (liquidity, capitalization, and maturity schedule of liabilities), cash flow and FX exposure.
- ▶ As a matter of policy, all credit facilities are reviewed / renewed annually. An account would be classified as NPA based on RBI guidelines.

### Credit Concentration Risk

Credit Concentration Risk arises mainly on account of concentration of exposures under various categories including industry, products, geography, sensitive sectors, underlying collateral nature and single/group borrower exposures. Limits have been stipulated on single borrower, borrower group and industry. Limits on countries and bank counterparties have also been stipulated. In addition, a framework has been created for managing concentration risk.

### Credit risk: General disclosures

#### Qualitative Disclosures

##### (a) Credit quality of Loans and Advances

All loans and advances in the Bank are classified according to asset quality, nature and number of days in arrears in accordance with RBI guidelines. For accounting purposes, definition of RBI for past due and impaired assets are adopted. Standard accounts include all facilities which demonstrate good financial condition, minimum risk factors and capacity to repay in line with the original terms of sanction.

##### Non-Performing Assets

Non-performing assets are those loans for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms. As of 31<sup>st</sup> December, 2020 bank has non-performing assets, net off provision (Gross NPA less Provision), amounting to INR 261 Mio.

The Bank has adopted the Standardised Approach under Basel III for credit risk.

### Total Gross Credit Risk Exposure Including Geographic Distribution of Exposure

(Rs. in millions)

Exposure distribution	31 <sup>st</sup> December 2020		
	Fund based	Non-fund based	Total
Domestic	23,011	6,138	29,148
Overseas	-	-	-
<b>Total</b>	<b>23,011</b>	<b>6,138</b>	<b>29,148</b>

Note: Exposure includes loans & advances (net of provision) and Non-Fund based exposure of LC, Performance Guarantees, Financial Guarantees.

**Distribution of Credit Risk Exposure by Industry Sector as of 31<sup>st</sup> December, 2020**

(Rs. in millions)

Industry Classification	Amount	
	Fund Based	Non-Fund Based
Advances against Fixed Deposits	4.91	1,607.53
All Engineering	1,349.28	-
Aviation	-	74.44
Basic Metal and Metal Products	1,645.32	158.08
Beverages and Tobacco	356.53	-
Cement and Cement Products	1,173.50	-
Chemicals and Chemical Products	997.27	0.22
Commercial Real Estate	1,032.40	-
Computer Software	-	0.87
Construction	49.52	0.35
Credit Card Receivables	62.41	-
Food Processing	1,539.47	156.82
Gems and jewellery	1,034.79	-
Glass & Glassware	549.78	-
Housing Loans	433.00	-
Infrastructure	3,285.59	957.19
Leather and Leather products	387.27	-
NBFC	3,486.90	4.46
Other industries	332.14	94.88
Other Retail Loans	1,714.56	91.49
Other Services	2,209.61	1,710.87
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	500.00	-
Professional services	395.60	0.45
Textile	210.78	14.40
Trade	225.74	1,127.56
Vehicles, Vehicle Parts and Transport Equipments	34.58	90.33
Wood and Wood Products	-	48.20
<b>Total</b>	<b>23,010.95</b>	<b>6,138.13</b>

As on 31<sup>st</sup> December 2020, the Bank's exposure to the industries stated below was more than 5% of the total gross credit exposure (outstanding):

(Rs. in millions)

Sr. No.	Industry Classification	Percentage of the total gross credit exposure
1	Infrastructure	17.67%
2	Other Services	11.82%
3	NBFC	10.94%
4	Basic Metal and Metal Products	6.65%
5	Other Retail Loans	6.10%
6	Commercial Real Estate	6.04%
7	Food Processing	5.69%
8	Chemicals and Chemical Products	5.67%
9	All Engineering	5.08%

**Breakdown of assets**

 Residual Contractual Maturity Breakdown of Assets as of 31<sup>st</sup> December 2020

(Rs. in millions)

Maturity buckets	Cash	Balances with RBI	Balances with other banks	Investments	Advances	Fixed Assets	Other assets
1day	19	-	4,358	1,764	146	-	189
2 to 7 days	-	88	-	-	453	-	2
8 to 14 days	-	-	-	-	381	-	17
15 to 30 days	-	23	-	-	417	-	2
31 days to 2 months	-	55	-	-	424	-	83
Over 2 months and upto 3 Months	-	45	-	248	1,497	-	18
Over 3 months and upto 6 Months	-	170	-	101	1,856	-	60
Over 6 months and upto 12 Months	-	155	-	1,342	409	-	88
Over 1 year and upto 3 years	-	300	-	481	8,592	-	39
Over 3 years and upto 5 years	-	9	-	300	5,833	-	23
Over 5 years	-	-	-	3,049	3,003	599	627
<b>Total</b>	<b>19</b>	<b>844</b>	<b>4,358</b>	<b>7,284</b>	<b>23,011</b>	<b>599</b>	<b>1,149</b>

**Movement of NPAs**

(Rs. in millions)

Particulars	Amount
<b>Amount of NPAs (Gross)</b>	
• Substandard	120
• Doubtful 1	579
• Doubtful 2	212
• Doubtful 3	-
• Loss	86
<b>Net NPAs</b>	261
<b>NPA Ratios</b>	
• Gross NPAs to gross advances	4.20%
• Net NPAs to net advances	1.13%

<b>Movement of NPAs (Gross)</b>	
Opening balance (1st April, 2020)	1,156
Additions	3
Reductions	162
Closing balance (31st December, 2020)	997

**Movement of specific provisions and general provisions**

(Rs. in millions)

Movement of Provisions	Specific Provisions**	General Provisions
Opening balance (1st April, 2020)	788	56
Provisions made during the period	108	60
Write-off/ write-back of excess provisions	160	0
Closing balance (31 <sup>st</sup> December, 2020)	736	116

\*\* includes Floating and Counter-cyclic Provisions

In addition, write-offs and recoveries that have been booked directly to the income statement should be disclosed separately.

(Rs. in millions)

Write-offs that have been booked directly to the income statement	0
Recoveries that have been booked directly to the income statement	-3

#### Geography wise Distribution of NPA and Provision – Position

(Rs. in millions)

Particular	Domestic	Overseas	Total
Gross NPA	997		997
Specific Provision**	736		736

\*\* includes Floating and Counter-cyclic Provisions

#### Breakup of NPA by major Industries– Position

Particulars	Total (As of 31 <sup>st</sup> December 2020)	
	Gross NPA	Specific Provision**
All Engineering	117	117
Food Processing	86	86
Housing Loans	5	5
Infrastructure	686	426
Other industries	1	1
Other Retail Loans	7	7
<b>Total</b>	<b>997</b>	<b>736</b>

\*\* includes Floating and Counter-cyclic Provisions

#### Non-Performing Investments

#### NPIs and Movement of Provision for Depreciation on Investments – Position

(Rs. in millions)

Particulars		Amount
A	Amount of Non-Performing Investments	28.67
B	Amount of Provision held for Non-performing investments	28.67
C	Movement of provision for depreciation on investments	
	- Opening balance as on 1st April 2020	37.90
	- Provision made in 2020-21	44.16
	Write-offs/Write-back of excess provision	-
	- Closing balance as on 31 <sup>st</sup> December 2020	82.06

### 3. Gross Credit Risk Exposure

#### Qualitative Disclosures:

- The Bank is using Credit Risk Assessment of ICRA, CRISIL, India Ratings, CARE, Brickwork and Acuite for the purpose of arriving at risk weight age wherever available.

**Quantitative Disclosures**

Details of Gross Credit Risk Exposure (Fund based and Non-fund based) based on Risk-Weight – Position

(Rs. in millions)

<b>Particulars</b>	<b>Amount</b>
Below 100% risk weight	14,053
100% risk weight	12,424
More than 100% risk weight	2,672
Deduction from capital funds	-
<b>Total</b>	<b>29,149</b>

Note: Exposure includes loans & advances (net of provision) and Non-Fund based exposure of LC, Performance Guarantees, Financial Guarantees.

**For SBM Bank (India) Limited**

**Mr. Sidharth Rath**  
Managing Director &  
Chief Executive Officer

**Place: Mumbai**  
**Date: January 29, 2021**