SBM BANK (INDIA) LIMITED

Basel III – Pillar 3 disclosures for the quarter ended June 30, 2021

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 have adequate 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 on 30th June 2021 are as follows:

(Rs. in millions)

Capital Requirements for various Risks	
Credit Risk	
Capital requirements for credit risk:	
• Portfolios subject to standardised approach	3,593
• Securitisation exposures*	-

* Bank does not have any exposure to securitization transactions

(Rs. in millions)

Market Risk	
Capital requirements for market risk:	
Standardised duration approach;	
• Interest rate risk	283
• Foreign exchange risk (including gold)	40
• Equity risk	20

(Rs. in millions)

Operational Risk	
Capital requirements for operational risk:	
• Basic Indicator Approach	180
• The Standardised Approach (if applicable)	-

Note:- Capital requirement has been computed at 11.875% of RWA

Capital Adequacy Ratios	Ratio
Common Equity Tier – 1 CRAR	16.80%
Tier – 1 CRAR	16.80%
Total CRAR	17.84%

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

► Fintech 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 30th June, 2021 bank has non-performing assets, net off provision (Gross NPA less Provision), amounting to INR 277 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	30th June 2021		
	Fund based	**Non-fund based**	**Total**
Domestic	30,101	6,422	36,523
Overseas	-	-	-
Total	**30,101**	**6,422**	**36,523**

Distribution of Credit Risk Exposure by Industry Sector

(Rs. in millions)

Industry Classification	Amount	
	Fund Based	Non-Fund Based
Advances against Fixed Deposits	21	520
Agriculture and Allied Activities	135	-
All Engineering	1,291	82
Automobile & Auto Ancillary	500	-
Aviation	-	68
Basic Metal and Metal Products	1,212	445
Beverage & Tobacco	329	-
Cement and Cement Products	591	194
Chemicals and Chemical Products	1,643	264
Commercial Real Estate	1,962	5
Computer Software	-	175
Construction	39	75
Credit Card Receivables	1,577	-
Food Processing	1,028	59
Gems and Jewellery	497	-
Housing Loans	544	-
Infrastructure	4,087	1,126
Leather and Leather products	487	-
Mining and Quarrying	700	166
NBFC	4,916	24
Other industries	190	2
Other Retail Loans	2,668	92
Other Services	3,421	1,746
Paper and Paper Products	540	-
Professional services	248	0
Retail Trade	498	-
Rubber, Plastic and their Products	-0	-
Textile	224	-
Tourism, Hotel and Restaurants	49	-
Transport Operators	39	-
Vehicle/Auto Loans	-0	-
Vehicles, Vehicle Parts and Transport Equipments	-	91
Wholesale Trade	665	1,241
Wood and Wood Products	-	47
Total	**30,101**	**6,422**

SBM bank

SBM BANK (INDIA) LIMITED

As on 30th June 2021, 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	14.93%
2	NBFC	13.54%
3	Other Services	10.54%
4	Chemicals and Chemical Products	7.11%
5	Other Retail Loans	6.85%
6	Commercial Real Estate	6.37%
7	Basic Metal and Metal Products	5.92%

Breakdown of assets

Residual Contractual Maturity Breakdown of Assets as of 30th June 2021

(Rs. in millions)

Maturity buckets	Cash	Balances with RBI	Balances with other banks	Investments	Advances	Fixed Assets	Other assets
1day	18	-	4,798	8,068	131	-	361
2 to 7 days	-	139	-	1	875	-	2
8 to 14 days	-	-	-	-	198	-	0
15 to 30 days	-	77	-	-	322	-	-
31 days to 2 months	-	66	-	-	2,520	-	216
Over 2 months and upto 3 Months	-	71	-	993	1,034	-	43
Over 3 months and upto 6 Months	-	139	-	1,276	1,608	-	151
Over 6 months and upto 12 Months	-	462	-	2,011	887	-	29
Over 1 year and upto 3 years	-	376	-	798	10,812	-	79
Over 3 years and upto 5 years	-	23	-	1,246	7,276	-	31
Over 5 years	-	4	-	622	4,438	563	771
Total	**18**	**1,357**	**4,798**	**15,015**	**30,101**	**563**	**1,683**

Movement of NPAs

(Rs. in millions)

Particulars	Amount
Amount of NPAs (Gross)	
• Substandard	30
• Doubtful 1	3
• Doubtful 2	578
• Doubtful 3	201
• Loss	84
Net NPAs	277
NPA Ratios	
• Gross NPAs to gross advances	2.92%
• Net NPAs to net advances	0.92%

Movement of NPAs (Gross)	
Opening balance (1st April, 2021)	884
Additions	21
Reductions	9
Closing balance (30th June, 2021)	896

Movement of specific provisions and general provisions

(₹ in millions)

Movement of Provisions	Specific Provisions	General Provisions
Opening balance (1st April, 2021)	622	153
Provisions made during the period	6	1
Write-off/ write-back of excess provisions	9	-
Closing balance (30th June, 2021)	619	154

** 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	-
Recoveries that have been booked directly to the income statement	17

Note: SBM India does not have any overseas branches.
Geography wise Distribution of NPA and Provision – Position

(Rs. in millions)

Particular	Domestic	Overseas	Total
Gross NPA	896		896
Specific Provision**	619		619

** includes Floating and Counter-cyclic Provisions

Breakup of NPA by major Industries– Position

(Rs. in millions)

	Total (As of 30th June, 2021)	
Particulars	**Gross NPA**	**Specific Provision****
Food Processing	83	83
Housing Loans	16	14
Infrastructure	686	424
Other industries	0	0
Other Retail Loans	17	4
Rubber, Plastic and their Products	88	88
Vehicle/Auto Loans	6	6
Total	**896**	**619**

** includes Floating and Counter-cyclic Provisions

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Non-Performing Investments
NPIs and Movement of Provision for Depreciation on Investments – Position

(Rs. in millions)

	Particulars	Amount
A	Amount of Non-Performing Investments	29
B	Amount of Provision held for Non-performing investments	29
C	Movement of provision for depreciation on investments	
	- Opening balance as on 1st April 2021	126
	- Provision made in 2021-22	3
	Write-offs/Write-back of excess provision	-
	- Closing balance as on 30th June 2021	129

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)

Particulars	Amount
Below 100% risk weight	15,987
100% risk weight	16,062
More than 100% risk weight	4,474
Deduction from capital funds	-
Total	**36,523**

Note: Exposure includes loans & advances, lendings, margins, investments in Govt Securities, T-Bills, SDLs, investments in debenture & bonds, security receipt, other fund based assets and Non-Fund based exposure including LC, Performance Guarantees, Financial Guarantees and un-availed Cash Credit, and other contingent Liabilities.

For SBM Bank (India) Limited

Mr. Sidharth Rath
Managing Director &
Chief Executive Officer

Place : Mumbai
Date : July 26, 2021