

Basel III – Pillar 3 disclosures for the year ended June 30, 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 at 30th June 2020 are as follows:

(Rs. in millions)

Capital Requirements for various Risks	
Credit Risk	
Capital requirements for credit risk:	
• Portfolios subject to standardised approach	1,532
• Securitisation exposures*	-

* Bank does not have any exposure to securitization transactions

(Rs. in millions)

Market Risk	
Capital requirements for market risk:	
• Standardised duration approach;	193
❖ Interest rate risk	123
❖ Foreign exchange risk (including gold)	37
❖ Equity risk	34

(Rs. in millions)

Operational Risk	
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

Capital Adequacy Ratios	Ratio
Common Equity Tier – 1 CRAR	33.76%
Tier – 1 CRAR	33.76%
Total CRAR	34.84%

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

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, 2020 bank has non-performing assets, net off provision (Gross NPA less Provision), amounting to INR 368 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	30 th June 2020		
	Fund based	Non-fund based	Total
Domestic	14,713	3,809	18,522
Overseas	-	-	-
Total	14,713	3,809	18,522

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 30th June, 2020

(Rs. in millions)

Industry Classification	Amount	
	Fund Based	Non-Fund Based
Services- Others	2,143.85	228.61
NBFC	2,288.34	-
Manufacturing- Cement and Cement products	1,350.65	158.08
Infrastructure- Others	900.00	281.00
Personal Loan-FD	0.32	1,135.32
Manufacturing-Drugs & Pharmaceuticals	1,000.00	0.23
Services- Stock broking	-	975.50
Wholesale Trade	97.24	682.38
Retail Loan- Mortgage	659.56	-
Engineering- Others	611.54	-
Manufacturing - Glass & Glassware	609.66	-
Manufacturing- Food processing	602.68	0.50
Retail Loan- Housing	520.83	-
Manufacturing- Railway and railway products	509.49	-
Manufacturing- Edible Oils	500.00	-
Infrastructure- Electricity generation	474.37	15.00
Manufacturing- Metal and Metal products	300.01	-
Manufacturing- Iron and Steel	300.00	-
Professional Services	218.41	65.00
Commercial Real Estate	259.63	-
Personal Loan	149.65	88.84
Construction	227.05	-
Infrastructure-Roadways	202.19	-
Manufacturing- Leather and Leather products	193.69	-
Manufacturing-Textiles	150.05	-
Manufacturing- Vehicle Parts and Transport Equipments	-	130.35
Services- Entertainment	98.32	-
Manufacturing- Engineering & Power	96.36	-
Manufacturing- Petrochemicals	68.14	-
Retail Loan- Vehicle/Auto Loans	64.41	-
MSME	62.34	-
Manufacturing- Wood and wood products	-	48.20
Manufacturing- Energy	44.00	-
Agriculture and Allied activities	6.23	-
Retail Loan- Credit card	4.00	-
Total	14,713.00	3,809.00

As on 30th June 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	Services- Others	12.81%
2	NBFC	12.35%
3	Manufacturing- Cement and Cement products	8.15%
4	Infrastructure- Others	6.38%
5	Personal Loan-FD	6.13%
6	Manufacturing-Drugs & Pharmaceuticals	5.40%
7	Services- Stock broking	5.27%

Breakdown of assets

Residual Contractual Maturity Breakdown of Assets as of 30th June 2020
(Rs. in millions)

Maturity buckets	Cash	Balances with RBI	Balances with other banks	Investments	Advances	Fixed Assets	Other assets
1day	19	2,855	75	2,743			2
2 to 7 days		58	200	-			3
8 to 14 days		-		-			30
15 to 30 days		12		-			2
31 days to 2 months		12		492	4		290
Over 2 months and upto 3 Months		14		84	1,600		4
Over 3 months and upto 6 Months		129		906	962		38
Over 6 months and upto 12 Months		158		1,193	555		3
Over 1 year and upto 3 years		213		1,452	6,261		1
Over 3 years and upto 5 years		4		50	2,828		-
Over 5 years		-		575	2,502	596	484
Total	19	3,455	275	7,495	14,713	596	856

Movement of NPAs
(Rs. in millions)

Particulars	Amount
Amount of NPAs (Gross)	
• Substandard	220
• Doubtful 1	575
• Doubtful 2	241
• Doubtful 3	-
• Loss	94
Net NPAs	364
NPA Ratios	
• Gross NPAs to gross advances	7.30%
• Net NPAs to net advances	2.47%

Movement of NPAs (Gross)	
Opening balance (1st April, 2020)	1,156
Additions	-
Reductions	26
Closing balance (30 th June 2020)	1,130

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	4	17
Write-off/ write-back of excess provisions	26	-
Closing balance (30 th June 2020)	766	73

**** 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	-

Geography wise Distribution of NPA and Provision – Position

(Rs. in millions)

Particular	Domestic	Overseas	Total
Gross NPA	1,130	-	1,130
Specific Provision**	766	-	766

** includes Floating and Counter-cyclic Provisions

Breakup of NPA by major Industries– Position

Particulars	Total (As of 30 th June, 2020)	
	Gross NPA	Specific Provision**
Electricity Generation- other	573	306
Engineering - Others	209	113
Food Processing - Others	94	94
Infrastructure-Roadways	113	113
Other residuary advances	12	12
Rubber plastics and other products	128	128
Total	1,130	766

** 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	6.97
B	Amount of Provision held for Non-performing investments	6.97
C	Movement of provision for depreciation on investments	
	- Opening balance as on 1st April 2020	37.90
	- Provision made in 2020-21	0.41
	Write-offs/Write-back of excess provision	-
	- Closing balance as on 30 th June 2020	38.31

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	9,975
100% risk weight	7,028
More than 100% risk weight	1,518
Deduction from capital funds	-
Total	18,522

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: August 20, 2020