

Basel III – Pillar 3 disclosures for the Quarter ended 31st Dec 2023
1. Scope of Application
Quantitative Disclosures:

- (a) The aggregate amount of capital deficiencies in subsidiaries : Not Applicable
(b) The aggregate amount of the bank's total interests in insurance entitles : Not Applicable

2. 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 an 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 31st Dec 2023 are as follows:

(Rs. in millions)

Capital Requirements for various Risks	
Credit Risk	
Capital requirements for credit risk:	
• Portfolios subject to standardised approach	5,274
• Securitisation exposures*	-

* Bank does not have any exposure to securitization transactions

Note:- Capital requirement has been computed at 11.50% of Credit Risk RWA

(Rs. in millions)

Market Risk	
Capital requirements for market risk:	
Standardised duration approach;	
• Interest rate risk	439
• Foreign exchange risk (including gold)	72
• Equity risk	0

(Rs. in millions)

Operational Risk	
Capital requirements for operational risk:	
• Basic Indicator Approach	378
• The Standardised Approach (if applicable)	-

Capital Adequacy Ratios	Ratio
Common Equity Tier – 1 CRAR	11.72%
Tier – 1 CRAR	11.72%
Total CRAR	16.63%

3. 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
- Market Risk
- Operational Risk (including fraud risk)
- Concentration Risk
- Interest Rate Risk in the Banking Book
- Liquidity Risk
- Compliance Risk
- Reputational risk
- Strategic Risk
- Information Security or Cyber Security Risk
- Settlement Risk
- UFCE Risk
- IT Risk/Technology Risk/Fintech Risk
- Climate 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 writing 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. During the financial year 2023-24, Bank has non-performing assets, net off provision (Gross NPA less Provision), amounting to INR 206 Mio as on 31/12/2023.

The Bank has adopted the Standardised Approach under Basel III for computation of capital for credit risk for Financial Year 2023-24.

Total Gross Credit Risk Exposure Including Geographic Distribution of Exposure

(Rs. in millions)

Exposure distribution	31 st Dec 2023		
	Fund based*	Non-fund based	Total
Domestic	43,741	14,030	57,771
Overseas	-	-	-
Total	43,741	14,030	57,771

*Represent Net Advances

Distribution of Credit Risk Exposure by Industry Sector

(Rs. in millions)

Industry Classification	Amount	
	Fund Based	Non-Fund Based
Financial Intermediation-NBFC	11,694	37
Other Retail Loans	7,188	-
Credit Card Receivables	3,065	-
Commercial Real Estate	2,710	14
Chemicals and Chemical Products	2,284	598
Trade	1,824	2,044
Financial Intermediation	1,684	-
Housing Loans	1,451	-
Other Services	1,354	1,426
Infrastructure	1,349	3,833
All Engineering	1,260	1,427
Basic Metal and Metal Products	1,180	866
Food Processing	1,084	1,267
Professional Services	979	163
Gems and Jewellery	750	-
Mining and Quarrying	627	879
Construction	569	659
Beverage & Tobacco	552	9
Paper and Paper Products	441	5
Cement and Cement Products	338	-
Leather and Leather products	284	-
Vehicles, Vehicle Parts, and Transport Equipments	235	50
Tourism, Hotel & Restaurants	225	-
Manufacturing-Other Industries	172	287
Advances against Fixed Deposits	147	42
Transport Operators	126	328

Rubber, Plastic and their Products	91	-
Textile	78	20
Vehicle/ Auto loans	0	-
Agriculture	-	-
Computer and Related Activities	-	56
Wood and Wood Products	-	20
Total	43,741	14,030

As on 31st Dec 2023, 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	Financial Intermediation-NBFC	20.31%
2	Other Retail Loans	12.44%
3	Infrastructure	8.97%
4	Trade	6.70%
5	Credit Card Receivables	5.31%

Breakdown of assets

Residual Contractual Maturity Breakdown of Assets as of 31st Dec 2023

(Rs. in millions)

Maturity buckets	Cash	Balances with RBI	Balances with other banks	Investments	Advances	Fixed Assets	Other assets
1day	4,892	7	311	12,097	727		261
2 to 7 days	-	-	-	-	1,512		5
8 to 14 days	-	182	-	-	246		72
15 to 30 days	-	96	-	57	127		8
31 days to 2 months	-	88	-	130	3,305		175
Over 2 months and upto 3 Months	-	117	-	57	792		753
Over 3 months and upto 6 Months	-	354	-	3,499	1,392		85
Over 6 months and upto 12 Months	-	612	-	2,500	1,889		55
Over 1 year and upto 3 years	-	1,058	-	3,798	21,794		332
Over 3 years and upto 5 years	-	169	-	816	4,676		36
Over 5 years	-	117	-	1,977	7,281	978	2,271
Total	4,892	2,800	311	24,931	43,741	978	4,053

Values are in line with Structural Liquidity Statement submitted to RBI.

Movement of NPAs

		(Rs. in millions)
Particulars		Amount
Amount of NPAs (Gross)		
• Substandard		233
• Doubtful 1		154
• Doubtful 2		14
• Doubtful 3		4
• Loss		648
Net NPAs		206
NPA Ratios		
• Gross NPAs to gross advances		2.36%
• Net NPAs to net advances		0.47%

Movement of NPAs (Gross)		
Opening balance (1st April, 2023)		975
Additions		583
Reductions		505
Closing balance (31 st Dec 2023)		1,053

Movement of specific provisions and general provisions

		(₹ in millions)
Movement of Provisions	Specific Provisions	General Provisions
Opening balance (1st April, 2023)	809	257
Provisions made during the period	280	-
Write-off /write-back of excess provisions	(241)	(32)
Any other adjustments, including transfers between provisions	-	-
Closing balance (31 st Dec 2023)	848	289

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	312
Recoveries that have been booked directly to the income statement	89

Geography wise Distribution of NPA and Provision – Position

			(Rs. in millions)
Particular	Domestic	Overseas	Total
Gross NPA	1,053	-	1,053
Specific Provision	848	-	848

Breakup of NPA by major Industries– Position

(Rs. in millions)

Particulars	Total (As of 31 st Dec, 2023)	
	Gross NPA	Specific Provision
Infrastructure	735	735
Other Retail Loans	255	89
Housing Loans	50	17
Credit Card Receivables	8	2
Vehicle/ Auto loans	5	5
Total	1,053	848

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

(Rs. in millions)

Particulars		Amount
A	Amount of Non-Performing Investments	36
B	Amount of Provision held for Non-performing investments	36
C	Movement of provision for depreciation on investments	
	- Opening balance as on 1st April 2023	224
	- Provision made in 2023-24	-
	Write-offs/Write-back of excess provision	20
	- Closing balance as on 31st Dec 2023	204

4. Gross Credit Risk Exposure
Qualitative Disclosures:

- The Bank is using Credit Risk Assessment of ICRA, CRISIL, India Ratings, CARE, Infomerics 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	24,456
100% risk weight	23,942
More than 100% risk weight	9,373
Deduction from capital funds	-
Total	57,771

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.

5. Main Features of Regulatory Capital Instruments As on 31st Dec 2023

Unquoted Equity

(Rs. in INR Million)

1	Issuer	SBM Bank (India) Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	
3	Governing law(s) of the instrument	Applicable Indian statutes and regulatory requirements
	Regulatory treatment	
4	Transitional Basel III rules	NA
5	Post-transitional Basel III rules	Common Equity Tier I
6	Eligible at solo/group/ group & solo	Solo
7	Instrument type	Ordinary Equity Shares
8	Amount recognised in regulatory capital (Rs. in million, as of most recent reporting date)	8,236
9	Par value of instrument	8,236
10	Accounting classification	Equity Share Capital
11	Original date of issuance	NA
12	Perpetual or dated	Perpetual
13	Original maturity date	No Maturity
14	Issuer call subject to prior supervisory approval	NA
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA
	Coupons / dividends	
17	Fixed or floating dividend/coupon	NA
18	Coupon rate and any related index	NA
19	Existence of a dividend stopper	NA
20	Fully discretionary, partially discretionary or mandatory	Fully Discretionary
21	Existence of step up or other incentive to redeem	NA
22	Noncumulative or cumulative	Non-Cumulative
23	Convertible or non-convertible	NA
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	NA
31	Write-down feature	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)	Represents the most subordinated claim in liquidation
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	NA

Tier 2 Bonds

1	Issuer	SBM Bank (India) Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	INE07PX08019
3	Governing law(s) of the instrument	Applicable Indian statutes and regulatory requirements
	Regulatory treatment	
4	Transitional Basel III rules	NA
5	Post-transitional Basel III rules	NCD (Tier 2)
6	Eligible at solo/group/ group & solo	Solo
7	Instrument type	NCD
8	Amount recognised in regulatory capital (Rs. in million, as of most recent reporting date)	IN Mio
9	Par value of instrument	INR 10 Mio
10	Accounting classification	Fully paid-up BASEL III compliant Tier 2 Bonds in the nature of Debenture
11	Original date of issuance	April 5, 2022
12	Perpetual or dated	Dated
13	Original maturity date	April 5, 2032
14	Issuer call subject to prior supervisory approval	Call Option will be exercised after approval from RBI
15	Optional call date, contingent call dates and redemption amount	Date: - Call Option in respect of the bond at the end of 5 years from the date of allotment. Redemption Amt – INR 1,250 Mio
16	Subsequent call dates, if applicable	Annual
	Coupons / dividends	Coupons @ 9.75% PA
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	9.75
19	Existence of a dividend stopper	NIL
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	Write-down feature	Loss Absorption at the Point of Non-Viability
32	If write-down, full or partial	Fully or partially
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 other creditors and Depositors of the Bank
36	Non-compliant transitioned features	NA

37	If yes, specify non-compliant features	NA

c	Issuer	SBM Bank (India) Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	INE07PX08027
3	Governing law(s) of the instrument	Applicable Indian statutes and regulatory requirements
	Regulatory treatment	
4	Transitional Basel III rules	NA
5	Post-transitional Basel III rules	NCD (Tier 2)
6	Eligible at solo/group/ group & solo	Solo
7	Instrument type	NCD
8	Amount recognised in regulatory capital (Rs. in million, as of most recent reporting date)	IN Mio
9	Par value of instrument	INR 10 Mio
10	Accounting classification	Fully paid-up BASEL III compliant Tier 2 Bonds in the nature of Debenture
11	Original date of issuance	January 24, 2023
12	Perpetual or dated	Dated
13	Original maturity date	January 24, 2033
14	Issuer call subject to prior supervisory approval	Call Option will be exercised after approval from RBI
15	Optional call date, contingent call dates and redemption amount	Date: - Call Option in respect of the bond at the end of 5 years from the date of allotment. Redemption Amt – INR 990 Mio
16	Subsequent call dates, if applicable	Annual
	Coupons / dividends	Coupons @ 9.88% PA
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	9.88
19	Existence of a dividend stopper	NIL
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	Write-down feature	Loss Absorption at the Point of Non-Viability
32	If write-down, full or partial	Fully or partially
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 other creditors and Depositors of the Bank
36	Non-compliant transitioned features	NA
37	If yes, specify non-compliant features	NA

For SBM Bank (India) Limited

Mr. Dipak Agarwal
Managing Director &
Chief Executive Officer