SBM bank

SBM BANK (INDIA) LIMITED

Basel III – Pillar 3 disclosures for the quarter ended December 31, 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 December 31, 2021 are as follows:

(Rs. in millions)

Capital Requirements for various Risks	
Credit Risk	
Capital requirements for credit risk:	
• Portfolios subject to standardised approach#	3,544
• Securitisation exposures*	-

* Bank does not have any exposure to securitization transactions

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

(Rs. in millions)

Market Risk	
Capital requirements for market risk:	
Standardised duration approach;	
• Interest rate risk	183
• Foreign exchange risk (including gold)	27
• Equity risk	13

(Rs. in millions)

Operational Risk	
Capital requirements for operational risk:	
• Basic Indicator Approach	122
• The Standardised Approach (if applicable)	-

Capital Adequacy Ratios	**Ratio**
Common Equity Tier – 1 CRAR	18.99%
Tier – 1 CRAR	18.99%
Total CRAR	20.09%

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 December 31, 2021 bank has non-performing assets, net off provision (Gross NPA less Provision), amounting to INR 185 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	December 31, 2021		
	Fund based	Non-fund based	Total
Domestic	37,450	10,649	48,099
Overseas			-
Total	**37,450**	**10,649**	**48,099**

Distribution of Credit Risk Exposure by Industry Sector

(Rs. in millions)

Industry Classification	Amount	
	Fund Based	Non-Fund Based
Advances against Fixed Deposits	117	-
Agriculture	185	2
All Engineering	1,434	770
Aviation	-	66
Basic Metal and Metal Products	2,374	350
Beverage & Tobacco	610	16
Cement and Cement Products	454	194
Chemicals and Chemical Products	2,313	773
Commercial Real Estate	2,597	179
Computer Software	-	159
Construction	202	-
Credit Card Receivables	4,209	-
Food Processing	1,066	491
Gems and Jewellery	507	-
Housing Loans	767	-
Infrastructure	3,834	1,472
Leather and Leather products	487	-
Mining and Quarrying	823	254
NBFC	5,843	6
Other industries	828	31
Other Retail Loans	4,035	404
Other Services	2,140	2,775
Paper and Paper Products	618	20
Professional services	448	99
Rubber, Plastic and their Products	12	-
Shipping	54	-
Textile	259	18
Tourism, Hotel & Restaurants	250	-
Trade	933	2,044
Transport Operators	42	437
Wood and Wood Products	9	89
Total	**37,450**	**10,649**

As on December 31, 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	12.12%
2	NBFC	12.02%
3	Other Services	11.31%
4	Other Retail Loans	8.62%
5	Commercial Real Estate	8.12%
6	Chemicals and Chemical Products	7.06%
7	Basic Metal and Metal Products	6.89%
8	All Engineering	5.22%

Breakdown of assets

Residual Contractual Maturity Breakdown of Assets as of December 31, 2021

(Rs. in millions)

Maturity buckets	Cash	Balances with RBI	Balances with other banks	Investments	Advances	Fixed Assets	Other assets
1day	20	903	358	10,202	129	-	39
2 to 7 days	-	-	4,850	14	962	-	2
8 to 14 days	-	-	-	-	361	-	40
15 to 30 days	-	86	-	260	804	-	-
31 days to 2 months	-	48	-	21	5,039	-	173
Over 2 months and upto 3 Months	-	119	-	11	1,286	-	50
Over 3 months and upto 6 Months	-	497	-	35	1,553	-	82
Over 6 months and upto 12 Months	-	454	-	5,489	1,669	-	3
Over 1 year and upto 3 years	-	644	-	1,922	12,966	-	89
Over 3 years and upto 5 years	-	42	-	751	7,208	-	27
Over 5 years	-	4	-	682	5,473	586	1,673
Total	**20**	**2,797**	**5,208**	**19,387**	**37,450**	**586**	**2,178**

Movement of NPAs

(Rs. in millions)

Particulars	Amount
Amount of NPAs (Gross)	
• Substandard	240
• Doubtful 1	4
• Doubtful 2	577
• Doubtful 3	64
• Loss	10

Net NPAs	185
NPA Ratios	
• Gross NPAs to gross advances	2.34%
• Net NPAs to net advances	0.49%

Movement of NPAs (Gross)	
Opening balance (April 01, 2021)	884
Additions	301
Reductions	290
Closing balance (December 31, 2021)	895

Movement of specific provisions and general provisions

(₹ in millions)

Movement of Provisions	**Specific Provisions**	**General Provisions**
Opening balance (April 01, 2021)	622	153
Provisions made during the period	336	36
Write-off/ write-back of excess provisions	248	-
Closing balance (December 31, 2021)	710	189

** 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	188
Recoveries that have been booked directly to the income statement	18

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	895		895
Specific Provision**	710		710

** includes Floating and Counter-cyclic Provisions

Breakup of NPA by major Industries– Position

(Rs. in millions)

	Total (As of December 31, 2021)	
Particulars	**Gross NPA**	**Specific Provision****
Food Processing	9	9
Housing Loans	8	7
Infrastructure	793	621
Other Retail Loans	17	6
Rubber, Plastic and their Products	61	61
Vehicle/ Auto loans	6	6
Total	**895**	**710**

** 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	29
B	Amount of Provision held for Non-performing investments	29
C	Movement of provision for depreciation on investments	
	- Opening balance as on April 01 2021	126
	- Provision made in 2021-22	52
	Write-offs/Write-back of excess provision	-
	- Closing balance as on December 31, 2021	178

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	21,662
100% risk weight	20,178
More than 100% risk weight	6,259
Deduction from capital funds	-
Total	**48,099**

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 : February 02, 2022