

Basel III – Pillar 3 disclosures for the quarter ended December 31, 2022
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 entities : 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 adequate capital to maintain confidence of depositors and market and to sustain future business developments.

The bank is fully committed to implement the Basel III guidelines 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 December 2022 are as follows:

(Rs. in millions)

Capital Requirements for various Risks	
Credit Risk	
Capital requirements for credit risk:	
• Portfolios subject to standardised approach	5,958
• 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	399
• Foreign exchange risk (including gold)	36
• Equity risk	15

(Rs. in millions)

Operational Risk	
Capital requirements for operational risk:	
• Basic Indicator Approach	212
• The Standardised Approach (if applicable)	-

Capital Adequacy Ratios	Ratio
Common Equity Tier – 1 CRAR	11.63%
Tier – 1 CRAR	11.63%
Total CRAR	14.64%

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
- ▶ 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
- ▶ Cyber 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 underwriting 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 on 31st December 2022, Bank has non-performing assets, net off provision (Gross NPA less Provision), amounting to INR 207 Mio.

The Bank has adopted the Standardised Approach under Basel III for computation of capital for credit risk for Financial Year 2022-23.

Total Gross Credit Risk Exposure Including Geographic Distribution of Exposure
(Rs. in millions)

Exposure distribution	31 st December 2022		
	Fund based*	Non-fund based	Total
Domestic	54,148	14,086	68,234
Overseas	-	-	-
Total	54,148	14,086	68,234

*Represent Net Advances

Distribution of Credit Risk Exposure by Industry Sector
(Rs. in millions)

Industry Classification	Amount	
	Fund Based	Non-Fund Based
Other Retail Loans	12,541	-
NBFC	11,265	21
Commercial Real Estate	4,511	33
Other Services	3,870	2,370
Chemicals and Chemical Products	2,698	567
Trade	2,330	1,180
Infrastructure	2,189	2,182
All Engineering	1,990	1,146
Food Processing	1,696	2,639
Basic Metal and Metal Products	1,616	752
Beverage & Tobacco	1,500	10
Housing Loans	1,163	-
Construction	1,124	641
Other Industries- Manufacturing	1,021	203
Mining and Quarrying	982	654
Professional services	776	539
Gems and Jewellery	743	-
Cement and Cement Products	487	289
Leather and Leather products	466	-
Paper and Paper Products	315	5
Tourism, Hotel & Restaurants	250	-
Advances against Fixed Deposits	165	236
Textile	133	176
Services-Shipping	123	27
Vehicles, Vehicle Parts and Transport Equipments	89	63
Agriculture	64	98
Rubber, Plastic and their Products	32	-

Transport Operators	9	1
Aviation	-	36
Computer Software	-	146
Vehicle/ Auto loans	-	-
Wood and Wood Products	-	72
Total	54,148	14,086

As on 31st December 2022, 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	Other Retail Loans	18.38%
2	NBFC	16.54%
3	Other Services	9.14%
4	Commercial Real Estate	6.66%
5	Infrastructure	6.40%
6	Food Processing	6.35%
7	Trade	5.14%

Breakdown of assets

Residual Contractual Maturity Breakdown of Assets as of 31st December 2022

(Rs. in millions)

Maturity buckets	Cash	Balances with RBI	Balances with other banks	Investments	Advances	Fixed Assets	Other assets
1day	14	552	664	17,996	462	-	819
2 to 7 days	-	4,920	-	23	2,295	-	3
8 to 14 days	-	388	-	-	450	-	63
15 to 30 days	-	209	-	12	1,438	-	4
31 days to 2 months	-	210	-	202	5,808	-	174
Over 2 months and upto 3 Months	-	147	-	1,185	1,585	-	487
Over 3 months and upto 6 Months	-	434	-	4,400	1,573	-	114
Over 6 months and upto 12 Months	-	538	-	2,535	1,687	-	41
Over 1 year and upto 3 years	-	1,183	-	4,448	24,575	-	545
Over 3 years and upto 5 years	-	53	-	363	6,828	-	13
Over 5 years	-	62	-	1,906	7,447	766	2,548
Total	14	8,696	664	33,070	54,148	766	4,811

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

Movement of NPAs

Particulars	(Rs. in millions)
	Amount
Amount of NPAs (Gross)	
• Substandard	445
• Doubtful 1	32
• Doubtful 2	578
• Doubtful 3	3
• Loss	9
Net NPAs	207
NPA Ratios	
• Gross NPAs to gross advances	1.94%
• Net NPAs to net advances	0.38%

Movement of NPAs (Gross)	
Opening balance (1st April 2022)	932
Additions	244
Reductions	109
Closing balance (31 st December 2022)	1,067

Movement of specific provisions and general provisions

Movement of Provisions	(₹ in millions)	
	Specific Provisions	General Provisions
Opening balance (1st April, 2022)	761	218
Provisions made during the period	149	61
Write-off	-	-
Write-back of excess provisions	50	-
Any other adjustments, including transfers between provisions	-	-
Closing balance (31 st December 2022)**	860	279

** includes Floating and Counter-cyclic Provisions

In addition, write-offs and recoveries that have been booked directly to the income statement, are as follows:

	(Rs. in millions)
Write-offs that have been booked directly to the income statement	5
Recoveries that have been booked directly to the income statement	(3)

Geography wise Distribution of NPA and Provision – Position

Particular	(Rs. in millions)		
	Domestic	Overseas	Total
Gross NPA	1067	-	1067
Specific Provision	860	-	860

Breakup of NPA by major Industries– Position

Particulars	(Rs. in millions)	
	Total (As of 31 st December, 2022)	
	Gross NPA	Specific Provision
Infrastructure	763	753
Other Retail Loans	233	78
Housing Loans	58	15

Food Processing	9	9
Vehicle/ Auto loans	5	5
Total	1,067	860

Non-Performing Investments

NPIs and Movement of Provision for Depreciation on Investments – Position

		(Rs. in millions)
Particulars		Amount
A	Amount of Non-Performing Investments*	7
B	Amount of Provision held for Non-performing investments	7
C	Movement of provision for depreciation on investments	
	- Opening balance as on 1st April 2022	183
	- Provision made in 2022-23	-
	Write-offs/Write-back of excess provision	-
	- Closing balance as on 31 st December 2022	183

*As per Net NPI Provisions

4. Gross Credit Risk Exposure

Qualitative Disclosures:

- The Bank is using Credit Risk Ratings 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		35,689
100% risk weight		25,696
More than 100% risk weight		6,849
Deduction from capital funds		-
Total		68,234

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 December 2022

Unquoted Equity

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	NA
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 Bond

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 Denture
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

For SBM Bank (India) Limited

Mr. Sidharth Rath
 Managing Director &
 Chief Executive Officer