SBM bank

Annual Report FY 2019

S.R. BATLIBOI & ASSOCIATES LLP
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Members of SBM Bank (India) Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of SBM Bank (India) Limited ("the Bank"), which comprise the Balance Sheet as at March 31, 2019, the Profit and Loss Account and the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Banking Regulation Act, 1949 and the Companies Act, 2013, as amended ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Bank as at March 31, 2019, its loss and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of our report. We are independent of the Bank in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Other Information

The Bank's Management is responsible for the other information. The other information comprises the information included in the Basel III - Pillar 3 disclosures but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read such other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and to comply with the relevant applicable requirements of the standard on auditing for auditor's responsibility in relation to other information in documents containing audited financial statements.

We have nothing to report in this regard.

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Responsibility of Management for the Financial Statements

The Bank's Management is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance, cash flows of the Bank in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014 in so far as they apply to the Bank and the circulars and the guidelines and directions issued by Reserve Bank of India ("RBI") from time to time.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Management of the Bank is also responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Bank has adequate internal financial controls system in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting

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estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

1. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with the Companies (Accounting Standards) Rules, 2006 (as amended) specified under section 133 of the Act, read with the Companies (Accounts) Rules, 2014.

2. As required sub section (3) of section 30 of the Banking Regulation Act, 1949, we report that:

   a. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;

   b. The transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and

   c. The financial accounting systems of the Bank are centralised and therefore, accounting returns for the purpose of preparing financial statements are not required to be submitted by branches; we have visited 4 branches for the purpose of our audit.

3. As required by Section 143(3) of the Act, we report that:

   (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

   (b) In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books;

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SBM Bank (India) Limited
Auditor's report for the year ended March 31, 2019

(c) The Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;

(d) In our opinion, the aforesaid financial statements comply with the Companies (Accounting Standards) Rules, 2006 (as amended) specified under section 133 of the Act, read with the Companies (Accounts) Rules, 2014 to the extent they are not inconsistent with the accounting policies prescribed by RBI;

(e) On the basis of the written representations received from the directors as on March 31, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164 (2) of the Act;

(f) With respect to the adequacy of the internal financial controls over financial reporting of the Bank with reference to these financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure 1" to this report;

(g) In our opinion, the entity being a banking company, the provisions of section 197 read with Schedule V of the Act are not applicable to the Bank for the year ended March 31, 2019;

(h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:

i. The Bank has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Schedule 12.1 and Note 23 of Schedule 17.B to the financial statements;

ii. The Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note 25 of Schedule 17.B to the financial statements; and

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank.

For **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

Sarvesh Warty.

per Sarvesh Warty
Partner
Membership Number: 121411
UDIN: 19121411AAAAHZ7513
Place of Signature: Mumbai
Date: 20 September 2019

ANNEXURE 1 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF SBM BANK (INDIA) LIMTED

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of SBM Bank (India) Limited ("the Bank") as of March 31, 2019, in conjunction with our audit of the financial statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Bank's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting with reference to these financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting with reference to these financial statements was established and maintained and if such controls operated effectively in all material respects.

An audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting with reference to these financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the internal financial controls over financial reporting with reference to these financial statements.

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Meaning of Internal Financial Controls Over Financial Reporting With Reference to these Financial Statements

A company's internal financial control over financial reporting with reference to these financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting with reference to these financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting With Reference to these Financial Statements

Because of the inherent limitations of internal financial controls over financial reporting with reference to these financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting with reference to these financial statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to these financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Qualified Opinion

According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified in the operating effectiveness of the Bank's internal financial controls over financial reporting with reference to these financial statements as at March 31, 2019:

(a) The Bank did not have appropriate internal controls to ensure appropriate revaluation of certain foreign currency assets and liabilities and certain foreign exchange forward transactions.
(b) The Bank did not have appropriate internal control to ensure that the impact of cancellation and early utilisation of foreign exchange forward transactions was appropriately recorded.
(c) For Finacle Core, Finacle Treasury and supporting infrastructure, the defined process to manage change and access was not followed by the Bank for our audit period and for SFMS application, the defined process to manage access was not followed by the Bank for our audit period, leading to absence of controls to restrict unauthorized change and access to the application environments. For SWIFT application and supporting infrastructure, the Bank was unable to provide evidences pertaining to IT General controls for us to validate efficacy of the processes since the system was quarantined due to a cyber security incident.

The above failure in internal controls could impact the financial statements of the Bank. Upon identification of the above control deficiencies, the Bank has subsequently rectified the financial statements through manual journal entries.

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Bank's annual or interim financial statements will not be prevented or detected on a timely basis.

In our opinion, except for the effects of the material weaknesses described above on the achievement of the objectives of the control criteria, the Bank has maintained, in all material respects, adequate internal financial controls over financial reporting with reference to these financial statements and such internal financial controls over financial reporting with reference to these financial statements were operating effectively as of March 31, 2019, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

Sarvesh Warty.

per Sarvesh Warty
Partner
Membership Number: 121411
UDIN: 19121411AAAAHZ7513
Place of Signature: Mumbai
Date: 20 September 2019

SBM bank

SBM Bank (India) Ltd.

BALANCE SHEET

	Schedule	As at 31-Mar-2019 (Amount in Rs. 000)	As at 31-Mar-2018 (Amount in Rs. 000)
CAPITAL & LIABILITIES			
Capital	1	7,049,584	-
Reserves & Surplus	2	(1,771,705)	(20,888)
Deposits	3	9,841,174	-
Borrowings	4	-	-
Other Liabilities and Provisions	5	864,201	30,229
Total		15,983,254	9,341
ASSETS			
Cash and Balances with Reserve Bank of India	6	300,204	-
Balances with banks and Money at Call and Short Notice	7	4,402,083	-
Investments	8	4,023,761	-
Advances	9	5,748,129	-
Fixed Assets	10	622,138	-
Other Assets	11	886,939	9,341
Total		15,983,254	9,341
Contingent Liabilities	12	9,969,649	-
Bills for Collection		1,871,220	
Accounting Policies & Notes on Accounts	17		

The Schedules referred to above form an integral part of the Balance Sheet.

As per our attached Report of even date.

For S. R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration No.: 101049W/E300004

Sarvesh Warty.

per Sarvesh Warty
Partner
Membership No. 121411

Place : Mumbai
Date : September 20, 2019

For SBM Bank (India) Ltd.

Mr. Sidharth Rath
Managing Director &
Chief Executive Officer

Mr. Ameet Patel
Independent Director

Mr. Talib Lokhandwala
Chief Financial Officer

Mrs. Sanchita Kapoor
Company Secretary

S.R. BATLIBOI & ASSOCIATES LLP
MUMBAI
CHARTERED ACCOUNTANTS

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SBM Bank (India) Ltd.

PROFIT AND LOSS ACCOUNT

		Schedule	Year Ended 31-Mar-2019 (Amount in Rs. 000)	Year Ended 31-Mar-2018 (Amount in Rs. 000)
I.	**INCOME**			
	Interest earned	13	324,093	-
	Other income	14	35,792	-
	Total		**359,885**	**-**
II.	**EXPENDITURE**			
	Interest expended	15	191,423	-
	Operating expenses	16	598,807	30,229
	Provisions & contingencies	17B - (27)	39,456	(9,341)
	Total		**829,686**	**20,888**
III.	**PROFIT/LOSS**			
	Net profit/(loss) for the year		(469,801)	(20,888)
	Profit/(loss) brought forward		(20,888)	-
	Total		**(490,689)**	**(20,888)**
IV.	**APPROPRIATIONS**			
	Transfer to Statutory Reserves		-	-
	Transfer to Capital Reserve		-	-
	Transfer to Investment Fluctuation Reserve		-	-
	Profit remitted to Head Office		-	-
	Balance carried over to Balance Sheet		(490,689)	(20,888)
	Total		**(490,689)**	**(20,888)**
V.	**BASIC AND DILUTED EARNING PER SHARE (INR)**	17B - (36)	(2.15)	-

The Schedules referred to above form an integral part of the Profit & Loss Account.

As per our attached Report of even date.

For S. R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration No.: 101049W/E300004

Sarvesh Warty.

per Sarvesh Warty
Partner
Membership No. 121411

Place : Mumbai
Date : September 20, 2019

S.R. BATLIBOI & ASSOCIATES LLP ★ MUMBAI ★ CHARTERED ACCOUNTANTS

For SBM Bank (India) Ltd.

Mr. Sidharth Rath
Managing Director &
Chief Executive Officer

Mr. Ameet Patel
Independent Director

Mr. Talib Lokhandwala
Chief Financial Officer

Mrs. Sanchita Kapoor
Company Secretary

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SBM Bank (India) Ltd.

SCHEDULES FORMING PART OF THE BALANCE SHEET

	31-Mar-2019 (Amount in Rs. 000)	31-Mar-2018 (Amount in Rs. 000)
SCHEDULE 1 : CAPITAL		
Authorised Capital :		
1,000,000,000 equity shares of Rs. 10 each (P.Y. 500,000,000)	10,000,000	5,000,000
Issued, subscribed and paid-up capital :		
704,958,418 equity shares of Rs. 10 each (P.Y. NIL)	7,049,584	-
Total	7,049,584	-
SCHEDULE 2 : RESERVES AND SURPLUS		
I. Statutory Reserve		
Opening Balance	-	-
Additions on amalgamation by conversion into WOS	359,880	-
Additions during the year	-	-
Deductions during the year	-	-
Sub Total	359,880	-
II. Capital Reserve		
Opening Balance	-	-
Additions on amalgamation by conversion into WOS	58,054	-
Additions during the year	-	-
Deductions during the year	-	-
Sub Total	58,054	-
III. Retained Earnings		
Opening Balance	-	-
Additions on amalgamation by conversion into WOS	320,098	
Additions during the year	-	-
Deductions during the year	-	-
Sub Total	320,098	-
IV. Revaluation Reserve		
Opening Balance	-	-
Additions on amalgamation by conversion into WOS	146,431	
Additions during the year	100,733	-
Deductions during the year	1,571	-
Sub Total	245,593	-
V. Balance in Profit and Loss Account		
Opening Balance	(20,888)	-
Add Additions on amalgamation by conversion into WOS	(2,264,641)	-
Less Appropriations	-	-
Add profit/(loss) for the year brought from the Profit and loss account	(469,801)	(20,888)
Sub Total	(2,755,330)	(20,888)
Total (I + II + III + IV + V)	(1,771,705)	(20,888)

S.R. BATLIBOI & ASSOCIATES LLP ★ CHARTERED ACCOUNTANTS MUMBAI

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SCHEDULES FORMING PART OF THE BALANCE SHEET

	31-Mar-2019 (Amount in Rs. 000)	31-Mar-2018 (Amount in Rs. 000)
SCHEDULE 3 : DEPOSITS		
A.I. Demand Deposits		
(i) From Banks	193,627	-
(ii) From Others	665,204	-
A.II. Savings Bank Deposits	493,413	-
A.III. Term Deposits		
(i) From Banks	11,112	-
(ii) From Others	8,477,818	-
Total	9,841,174	-
B.I. Deposits of branches in India	9,841,174	-
B.II. Deposits of branches outside India	-	-
Total	9,841,174	-
SCHEDULE 4 : BORROWINGS		
I. Borrowings in India		
i) Reserve Bank of India	-	-
ii) Other Banks	-	-
iii) Other Institutions and Agencies	-	-
Sub Total	-	-
II. Borrowings outside India	-	-
Total (I + II)	-	-
Secured Borrowings included in I & II above	-	-
SCHEDULE 5 : OTHER LIABILITIES AND PROVISIONS		
I. Bills Payable	9,142	-
II Interest Accrued	6,708	-
III. Deferred Tax Liability (Net)	-	-
IV. Provision for standard advances (Refer Note 14 - Schedule 17.B)	67,405	-
V. Others (including Provisions)	780,946	30,229
Total	864,201	30,229
SCHEDULE 6 : CASH AND BALANCES WITH RBI		
I. Cash in Hand (including Foreign Currency Notes - NIL)	2,252	-
II. Balances with Reserve Bank of India		
in Current Account	297,952	-
in Other Accounts	-	-
Total	300,204	-

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SCHEDULES FORMING PART OF THE BALANCE SHEET

	31-Mar-2019 (Amount in Rs. 000)	31-Mar-2018 (Amount in Rs. 000)
SCHEDULE 7 : BALANCES WITH BANKS & MONEY AT CALL & SHORT NOTICE		
I. In India		
i) Balances with banks in		
(a) Current Accounts	3,817	-
(b) Other Deposit Accounts	-	-
ii) Money at call and short notice		
(a) with Banks	3,491,550	-
(b) with Other Institutions	622,395	-
Sub Total	4,117,762	-
II. Outside India		
i) in Current Accounts	284,321	-
ii) in Other Deposit Accounts	-	-
iii) in Money at Call and Short Notice	-	-
Sub Total	284,321	-
Total (I & II)	4,402,083	-
SCHEDULE 8 : INVESTMENTS		
I. Investments in India in		
i) Government Securities	3,657,985	-
ii) Other Approved Securities	-	-
iii) Shares	6,970	-
iv) Debentures and Bonds	150,662	-
v) Subsidiaries and /or Joint Venture	-	-
vi) Others	223,377	-
Sub Total	4,038,994	-
Less: Provision for Diminution	15,233	-
Sub Total	4,023,761	-
II. Investments outside India	-	-
Total (I & II)	4,023,761	-
SCHEDULE 9 : ADVANCES		
A i) Bills Purchased and Discounted	35,647	-
ii) Cash Credits, Overdrafts and Loans repayable on Demand	1,295,045	-
iii) Term loans	4,417,437	-
Total	5,748,129	-
B i) Secured by Tangible Assets (includes advances against Book debts)	5,360,834	-
ii) Covered by Bank / Government Guarantees (includes advance against standby letter of credit)	159,550	-
iii) Unsecured	227,745	-
Total	5,748,129	-
C. I Advances in India		
i) Priority Sectors	443,790	-
ii) Public Sector	-	-
iii) Banks	223,007	-
iv) Others	5,081,332	-
Total	5,748,129	-
II Advances outside India	-	-
Total (CI & CII)	5,748,129	-

S.R. BATLIBOI & ASSOCIATES LLP * CHARTERED ACCOUNTANTS * MUMBAI

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SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE 10 : FIXED ASSETS

	31-Mar-2019 (Amount in Rs. 000)	31-Mar-2018 (Amount in Rs. 000)
I. Premises		
At Cost at beginning of year	-	-
Additions on amalgamation by conversion into WOS	390,006	
Additions during the year	100,733	-
Deductions during the year	-	-
Depreciation to date*	125,559	-
Sub Total	365,180	-
II. Other Fixed Assets (including Furniture & Fixtures)		
At Cost at beginning of year	-	-
Additions on amalgamation by conversion into WOS	345,190	
Additions during the year	25,036	-
Deductions during the year	-	-
Depreciation to date*	168,434	-
Sub Total	201,792	-
III. Capital Work in Progress	55,166	-
Total (I, II & III)	622,138	-

*Includes accumulated depreciation of Rs. 122,923 thousand for Premises and Rs. 139,498 thousand for Other Fixed Asset, accounted for in the books of *SBM Bank (Mauritius) Ltd. - Indian Operations* till November 30, 2018

SCHEDULE 11 : OTHER ASSETS

	31-Mar-2019	31-Mar-2018
I. Inter-Office Adjustment (Net)	-	-
II. Interest Accrued	44,881	-
III. Tax paid in Advance / Tax Deducted at Sources (Net of Provisions)	111,215	-
IV. Deferred Tax Assets (Net)	-	9,341
V. Stationery and Stamps	13	-
VI. Others	730,830	-
Total	886,939	9,341

SCHEDULE 12 : CONTINGENT LIABILITIES

	31-Mar-2019	31-Mar-2018
I. Claims against the Bank not acknowledged as Debts	81,818	-
II. Liability for Partly Paid Investments	-	-
III. Liability on account of outstanding Forward Exchange Contracts & Derivatives	6,931,710	-
IV. Guarantees given on behalf of Constituents		-
a) In India	174,338	-
b) Outside India	4,356	-
V. Acceptances, Endorsements and Other Obligation	7,332	-
VI. Other items for which the Bank is Contingently Liable	2,770,095	-
Total	9,969,649	-

S.R. BATLIBOI & ASSOCIATES LLP ★ CHARTERED ACCOUNTANTS ★ MUMBAI

SBM BANK INDIA LTD. MUMBAI 400 021.

SBM Bank (India) Ltd.

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

SCHEDULE 13 : INTEREST EARNED

		Year Ended 31-Mar-2019 (Amount in Rs. 000)	Year Ended 31-Mar-2018 (Amount in Rs. 000)
I.	Interest / Discount on Advances / Bills	188,731	-
II.	Income on Investments	91,582	-
III.	Interest on Balances with RBI and Other Inter-Bank Funds	32,528	-
IV.	Others*	11,252	-
	Total	324,093	-

*includes Swap Gain on Funding Swaps

SCHEDULE 14 : OTHER INCOME

		Year Ended 31-Mar-2019 (Amount in Rs. 000)	Year Ended 31-Mar-2018 (Amount in Rs. 000)
I.	Commission, Exchange and Brokerage	3,407	-
II.	Profit/(loss) on sale of Investments	8,821	-
III.	Profit/(loss) on Revaluation of Investments	-	-
IV.	Profit/(loss) on sale of Land Building & Other Assets	-	-
V.	Profit on Exchange Transactions	2,628	-
VI.	Income earned by way of Dividends etc. from Companies and / or Joint Ventures in India & Aboard	-	-
VII.	Profit/(loss) on Derivative Trade	13,672	-
VIII.	Miscellaneous Income	7,264	-
	Total	35,792	-

SCHEDULE 15 : INTEREST EXPENDED

		Year Ended 31-Mar-2019 (Amount in Rs. 000)	Year Ended 31-Mar-2018 (Amount in Rs. 000)
I.	Interest on Deposits	157,933	-
II.	Interest on Reserve Bank of India /Inter Bank Borrowings	20,838	-
III.	Others*	12,652	-
	Total	191,423	-

*includes Swap Cost on Funding Swaps

SCHEDULE 16 : OPERATING EXPENSES

		Year Ended 31-Mar-2019 (Amount in Rs. 000)	Year Ended 31-Mar-2018 (Amount in Rs. 000)
I.	Payments to and Provision for Employees	85,108	-
II.	Exchange Commission and Brokerage	-	-
III.	Rent, Taxes and Lighting	13,992	-
IV.	Printing and Stationery	568	-
V.	Advertisement and Publicity	6,125	-
VI.	Depreciation on Bank's Property	30,001	-
VII.	Auditors' Fee	5,141	-
VIII.	Law charges (incl.Professional Fees)	19,007	-
IX.	Postages, Telegrams, Telephones, etc.	987	-
X.	Repairs and Maintenance	1,070	-
XI.	Insurance	4,807	-
XII.	Other Expenditure	432,001	-
	Total	598,807	-

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STATEMENT OF CASH FLOW

	Particulars	Year Ended March 31, 2019 (Amount in Rs. 000)	Year Ended March 31, 2018 (Amount in Rs. 000)
A	**Cash Flow from Operatng Activities**		
	Net Profit after Taxes	(469,801)	(20,888)
	Adjustments to profit/(loss) from operations		
	Loss/(Profit) from sale of fixed assets	-	-
	Depreciation on Fixed Assets	30,001	-
	Specific Provision for NPA	153,057	-
	Diminution on Investment	(1,872)	-
	Direct Taxes	-	-
	Other Provisions - Deffered tax	9,341	(9,341)
	Non performing Advances written off	-	-
	Non performing Investments written off	-	-
	Provision for Standard Advances	(119,631)	-
	Provision for country exposure	(1,439)	-
	Provision for Diminution in fair value of restructed accounts	-	-
	Provision for interest capitalised on restructured accounts	-	-
	Sub-Total	**(400,344)**	**(30,229)**
	Changes in working capital		
	(Increase)/Decrease in Investments	(732,679)	-
	(Increase)/Decrease in Advances	1,674,514	-
	(Increase)/Decrease in Other Assets	500,994	-
	Increase/(Decrease) in Deposits	2,681,592	-
	Increase/(Decrease) in Borrowings	(3,381,090)	-
	Increase/(Decrease) in Other Liabilities	5,843	30,229
	Net Cash from Operating Activites before Income Tax	**348,830**	-
	Advance Income tax paid	-	-
	Refund received from Income Tax	-	-
	Net Cash from Operating Activites after Income Tax	**348,830**	-
B	**Cash Flow from Investing Activites**		
	Purchase of Fixed Assets	(66,060)	-
	Proceeds from sale of Fixed Assets	-	-
	Net Cash from Investing Activites	**(66,060)**	-
C	**Cash Flow from Financing Activities**		
	Increase/(Decrease) in Capital	480,000	-
	Issue of Subordinated Bond	-	-
	Net Cash from Financing Activities	**480,000**	-

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STATEMENT OF CASH FLOW

	Particulars	Year Ended March 31, 2019 (Amount in Rs. 000)	Year Ended March 31, 2018 (Amount in Rs. 000)
D	**Cash and Cash Equivalent at the beginning of the year**		
	I. Cash in Hand (including foreign currency notes and gold)	-	-
	II Balances with Reserve Bank of India	-	-
	III Balances with Banks and Money at Call and Short Notice	-	-
		-	-
E	**Cash and Cash Equivalent on amalgamation by conversion into WOS**		
	I. Cash in Hand (including foreign currency notes and gold)	5,743	-
	II Balances with Reserve Bank of India	410,840	-
	III Balances with Banks and Money at Call and Short Notice	3,522,934	-
		3,939,517	-
F	**Cash and Cash Equivalent at the end of the year**		
	I. Cash in Hand (including foreign currency notes and gold)	2,252	-
	II Balances with Reserve Bank of India	297,952	-
	III Balances with Bank and Money at Call and Short Notice	4,402,083	-
		4,702,287	-
A	Cash Flow from Operatng Activities	348,830	-
B	Cash Flow from Investing Activites	(66,060)	-
C	Cash Flow from Financing Activities	480,000	-
	Net Increase/ (Decrease) in Cash & Cash Equivalents (A+B+C)	**762,770**	-
D	**Cash and Cash Equivalent at the begininning of the year**	-	-
E	**Cash and Cash Equivalent on amalgamation by conversion into WOS**	**3,939,517**	
F	**Cash and Cash Equivalent at the end of the year (A+B+C+D)**	**4,702,287**	-

For S. R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration No.: 101049W/E300004

Sarvesh Warty.

per Sarvesh Warty
Partner
Membership No. 121411

Place : Mumbai
Date : September 20, 2019

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For SBM Bank (India) Ltd.

Mr. Sidharth Rath
Managing Director &
Chief Executive Officer

Mr. Ameet Patel
Independent Director

Mr. Talib Lokhandwala
Chief Financial Officer

Mrs. Sanchita Kapoor
Company Secretary

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SCHEDULE FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

SCHEDULE 17.A – SIGNIFICANT ACCOUNTING POLICIES

a) Background

The financial statements for the financial year April 1, 2018 to March 31, 2019 comprise the accounts of the SBM Bank (India) Ltd, ('the Bank') which is incorporated in the India and is a wholly owned subsidiary of SBM (Bank) Holdings Ltd., Mauritius ('the Parent').

Pursuant to approval of the Scheme of Amalgamation, between the Bank and *SBM Bank (Mauritius) Ltd. – Indian Operations (the 'Indian Operations")*, by the Reserve Bank of India on October 30, 2018, under section 44A of the Banking Regulations Act, 1949, the undertaking of the Indian Operations are amalgamated with the Bank. Accordingly, the Bank has commenced its banking operations on December 01, 2018 and is engaged in providing banking and financial services as a banking company governed by the Banking Regulation Act, 1949. The branches of the Bank as at March 31, 2019 are located at Mumbai, Chennai, Hyderabad and Ramachandrapuram.

b) Basis of preparation

The financial statements have been prepared in accordance with requirements prescribed under the Third schedule (Form A and Form B) of the Banking Regulation Act, 1949. The accounting and reporting policies of the Bank used in the preparation of these financial statements conform to Generally Accepted Accounting Principles in India (Indian GAAP), the guidelines issued by the Reserve Bank of India (RBI) from time to time, the accounting standards notified under section 133 of the Companies Act 2013, read with the Companies (Accounts) Rules 2014 and other relevant provisions of the Companies Act, 2013 ("the Act") and the Companies (Accounting Standards) Rules, 2006 (as amended) to the extent applicable and practices generally prevalent in the banking industry in India. The Bank follows the accrual method of accounting and the historical cost convention.

c) Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities as at the date of the financial statements and the results of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in current or future periods.

d) Revenue recognition

Income and expenses are recognized on accrual basis except as otherwise stated. Interest income is recognized in the Profit and Loss account on accrual basis except in case of interest on non-performing asset which is recognized on receipt basis. Interest income on discounted instruments is recognized over the tenor of the instrument on a straight line basis. Processing Fees, Commission on Letters of Credit and Locker Fees income are recognized upfront on becoming due. Commission on bank guarantees issued is amortized over the period of guarantees.

e) Foreign Exchange Transactions

Income and expenditure items are recorded at the exchange rates prevailing on the date of the transaction. Assets and liabilities denominated in foreign currencies as at the Balance Sheet date are revalued at the year-end rates as notified by Foreign Exchange Dealers Association of India (FEDAI). Net exchange differences arising on the settlement of transactions and on account of assets and liabilities are charged or credited to the Profit and Loss account as prescribed by RBI.

Outstanding forward exchange contracts are revalued at rates of exchange notified by FEDAI and the resulting profits or losses are included in the Profit and Loss account. Guarantees and Acceptances, endorsements and other obligations are stated at the year-end closing rate as notified by FEDAI.

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f) Derivatives

Derivatives are financial instruments comprising of forward exchange contracts, interest rate swaps and cross currency swaps which are undertaken for either trading or hedging purposes.

Trading derivatives are marked to market as per the generally accepted practices prevalent in the industry and the resultant unrealized gain or loss is recognized in the Profit and Loss Account, with the corresponding net unrealized amount reflected in Other Assets or Other Liabilities in the Balance Sheet.
Forward Exchange contracts and other derivative contracts which have overdue receivables remaining unpaid for over 90 days or more are classified as non-performing assets and are provided as prescribed by RBI.

The Bank also maintains a general provision on derivative exposures computed as per marked to market value of the contracts in accordance with the RBI guidelines.

The Bank has undertaken Funding swaps to hedge certain loans and deposits. Premium/discount on such funding swaps is recognized as interest income/expense and is amortized on a pro-rata basis over the underlying swap period.

g) Investments

Classification

Investments are classified under "Held to Maturity" (HTM), "Available for Sale" (AFS) and "Held for Trading" (HFT) categories in accordance with RBI norms. For the purpose of disclosure of balance sheet they are classified under 6 groups viz. i) Government Securities, ii) Other Approved Securities, iii) Shares, iv) Debentures and Bonds v) Subsidiaries and / or joint ventures and vi) Other Investments.

Valuation

Investments held under HTM category are carried at acquisition cost. If the acquisition cost is more than the face value, the premium is amortized over the remaining tenor of the investments.

Investments classified under AFS and HFT portfolio are marked to market on daily basis. Investments under AFS and HFT classification are valued as per rates declared by Financial Benchmarks India Pvt. Ltd. (FBIL) and in accordance with the RBI guidelines. Consequently, net depreciation, if any, under these classifications mentioned in Schedule 8 is provided for in the Profit and Loss account. The net appreciation, if any, under any classification is ignored, except to the extent of depreciation previously provided. The book value of the individual securities is not changed consequent to periodic valuation of investments.

Treasury Bills, Commercial Paper and Certificate of Deposit are valued at carrying cost.

Non-Performing Investments are identified, and provision is made as per RBI guidelines.

The valuation of other unquoted fixed income securities (viz. State government securities, Other approved securities, Bonds and debentures) wherever linked to the YTM rates, is computed with a mark-up (reflecting associated credit and liquidity risk) over the YTM rates for government securities published by FBIL.

Transfer of Securities between Classifications

Reclassification of investments from one classification to the other, if done, is in accordance with RBI guidelines and any such transfer is accounted for at the acquisition cost/book value/market value, whichever is lower, as at the date of transfer. Depreciation, if any, on such transfer is fully provided for.

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Repurchase transactions
Repurchase and reverse repurchase transactions (if any) are accounted in accordance with the prescribed RBI guidelines. The difference between the clean price of the first leg and the second leg is recognized as interest income/expense over the period of the transaction in the Profit and Loss account.

Others
Brokerage, fees and commission on acquisition of securities including money market instruments, are recognized as expenses in Profit and Loss account.

h) Fixed Assets
Office Premises is stated at revalued amount less accumulated depreciation / amortization and all other Fixed Assets are stated at cost less accumulated depreciation / amortization.

Depreciation on the Fixed Assets is charged on straight-line method over the useful life of the fixed assets prescribed in Schedule II of the Companies Act, 2013. The useful life of the group of fixed assets are given below.

Type of Assets	Useful life as per Companies Act, 2013	Useful life as per Bank's Accounting Policy
Office Premises	60 years	60 years
Office equipment (including Air conditioner)	5 years	5 years
EDP Equipment's, Computers*	6 years	3 years
Software*	6 years	3 years
Furniture & Fixtures	10 years	10 years
Motor Car	8 years	8 years

* As per RBI guidelines

Revaluation of Fixed Assets
Premises are revalued in every five years by an independent valuer to reflect current market valuation. Appreciation, if any, on revaluation is credited to Revaluation Reserve. Depreciation on the revalued portion of asset is adjusted from revaluation reserves.

Impairment of Assets
The carrying amount of assets is reviewed at each balance sheet date if there is any indication of impairment based on internal / external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount (i.e. the higher of the asset's net selling price and value in use).

i) Advances
a) The Bank follows prudential norms formulated by RBI for classifying the assets as Standard, Sub-Standard, Doubtful and Loss assets and are stated at net of the required provision made on such advances.
b) Provision for advances classified as Standard, Sub-Standard, Doubtful & Loss assets are made based on management's assessment, subject to minimum provisions as per RBI guidelines.

j) Retirement and employee benefits
i) Leave salary - The employees of the Bank are entitled to carry forward leave balance to the subsequent year. This carried forward balance is en-cashable at the time of either retirement or resignation.

ii) Gratuity - The Bank provides for gratuity, a defined benefit retirement plan, covering eligible employees. The plan provides for lump sum payments to vested employees at retirement or upon death while in employment or on termination of employment for an amount equivalent to 15 days' eligible salary payable for each completed year of service if the service is more than 5 years. The Bank accounts for the liability for future

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gratuity benefits using the projected unit cost method based on annual actuarial valuation. Gratuity fund is being managed by "LIC Group Gratuity Scheme" and any actuarial gain / loss contribution determined by the actuary are charged to Profit and Loss account and are not deferred.

iii) Provident fund - In accordance with law, all employees of the Bank are entitled to receive benefits under the provident fund, a defined contribution plan in which both the employee and the Bank contribute monthly at a pre-determined rate. Contribution to provident fund are recognized as expense as and when the services are rendered. The Bank has no liability for future provident fund benefits other than its annual contribution.

k) Net Profit / Loss

Profit/Loss for the period is arrived at after providing for non-performing advances, adjustments on valuation of investments, taxes on income, depreciation on fixed assets and other necessary and mandatory provisions.

l) Taxation

Income tax comprises the current tax (i.e. amount of tax for the period, determined in accordance with the Income tax Act, 1961 and the rules framed there under) and deferred tax (reflecting the tax effects of timing differences between accounting income and taxable income for the year)

Provision for current tax is recognized in accordance with the provisions of Indian Income tax Act, 1961 and is made based on the tax liability after taking credit for tax allowances and exemptions.

The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantively enacted at the Balance sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future. However, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognized only if there is virtual certainty of realization of such assets. The Bank assesses / re-assesses the unrecognized deferred tax assets at each balance sheet date.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the bank will pay normal income tax. Accordingly, MAT is recognized as an asset in the Balance Sheet when it is highly probable that future economic benefit associated with it will flow to the bank

m) Operating Lease

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating leases. Lease transactions are accounted in accordance with AS 19 – Leases issued by ICAI. For operating leases, lease payments are recognized as an expense in the statement of Profit and Loss account on a straight-line basis over the lease term.

n) Accounting for Provisions, Contingent Liabilities and contingent Assets

The Bank has assessed its obligations arising in the normal course of business, including pending litigations, proceedings pending with tax authorities and other contracts including derivative and long-term contracts. In accordance with Accounting Standard - 29 on 'Provisions, Contingent Liabilities and Contingent Assets', the Bank recognizes a provision for material foreseeable losses when it has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are measured based on best estimate of the expenditure required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

In cases where the available information indicates that the loss on the contingency is reasonably possible, but the amount of loss cannot be reasonably estimated, a disclosure to this effect is made as contingent liabilities

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in the financial statements. The Bank does not expect the outcome of these contingencies to have a materially adverse effect on its financial results. Contingent assets are neither recognized nor disclosed in the financial statements.

o) Floating and countercyclical provision

Countercyclical provisioning buffers and floating provisions is the specific amount that Bank has set aside in good times. These are used only in contingencies or extraordinary times of economic or system-wide downturns. RBI had allowed to utilize up to 33 percent and 50 percent of countercyclical provisioning buffer/floating provisions held by them as on March 31, 2013 and December 31, 2014 respectively. These are considered as part of NPA provisions for the purpose of compliance with the minimum RBI provisioning requirement.

p) Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, balances with RBI, balances with other banks / institutions and money at call and short notice (including effect of changes in exchange rates on cash and cash equivalents in foreign currency).

q) Cash Flow Statements

Cash flows are reported using the indirect method, whereby profit / (loss) before tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Bank are segregated based on the available information

r) Earning per share

Earnings per share is calculated by dividing the Net Profit or Loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding as at the end of the period.

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SCHEDULE FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

SCHEDULE 17.B: - NOTES TO THE FINANCIAL STATEMENTS

1. **Capital to Risk Assets Ratio (CRAR)**

I. The Banks are required to disclose capital adequacy ratio computed under Basel III capital guidelines of the RBI from the quarter ended June 30, 2013.

Sr. No.	CRAR ratio as per Basel III	March 31, 2019
i)	CRAR – Common Equity Tier I	47.17%
ii)	CRAR – Tier I Capital	47.17%
iii)	CRAR – Tier II Capital	1.67%
iv)	Total Capital Ratio (CRAR) (%)	48.84%
v)	Percentage of the shareholding of the Government of India in public sector banks	-
vi)	Amount of equity capital raised*	7,049,584
vii)	Amount of Additional Tier 1 capital raised; *of which* *Perpetual Non- Cumulative Preference Shares (PNCPS):* *Perpetual Debt Instruments (PDI)* :	-
viii)	Amount of Tier 2 capital raised; *of which* Debt capital instruments: Preference Share Capital Instruments: [*Perpetual Cumulative Preference Shares (PCPS) / Redeemable Non-Cumulative Preference Shares (RNCPS) / Redeemable Cumulative Preference Shares (RCPS)]*	-

*The Bank has received additional capital infusion of Rs. 520,000 thousand in the month of August 2019.

2. **Investments**

(***Rs. in Thousands***)

Particulars	March 31, 2019
1. Value of Investments:	
(i) Gross Value of Investments	
a. In India	4,038,994
b. Outside India	-
(ii) Provisions for Depreciation	
a. In India	-
- on transfer to securities from AFS to HTM portfolio	-
- on securities position	15,233
b. Outside India	-
(iii) Net Value of Investments	
a. In India	4,023,761
b. Outside India	-
2. Movement of provision held towards depreciation on investments:	
(i) Opening balance	-
(ii) Add: Additions on amalgamation by conversion into WOS	17,105
(iii) Add: Provision made during the year	

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(iv)	Less: Write-off/ write-back of excess provision during the year (including depreciation utilized on sale of securities)	1,872
(v)	Closing balance	**15,233**

The net book value of investments held under the three categories, viz. Held to Maturity (HTM), Held for Trading (HFT) and Available for Sale (AFS) are as under:-

(Rs. in Thousands)

Category	As at March 31, 2019	
	Rs. in Thousands	%
Held to Maturity	1,292,718	32.13
Held for Trading	-	-
Available for Sale	2,731,043	67.87
Total	**4,023,761**	**100.00**

3. Repurchase & Reverse Repurchase Agreement Transactions

(Rs. in Thousands)

FY 2018-19	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Balance as at March 31, 2019
Securities Sold under Repurchase Transactions *				
(i) Government Securities	-	-	-	-
(ii) Corporate Debt Securities	-	-	-	-
Securities purchased under Reverse Repurchase Transactions *				
(i) Government Securities	47,750#	3,420,390	1,420,505	2,610,360
(ii) Corporate Debt Securities	-	-	-	-

* consist of RBI LAF disclosed at face value.

Nil outstanding on any day is ignored for reckoning minimum outstanding.

4. Non-SLR Investments Portfolio - Issuer Composition of Non-SLR Investments Balances as at March 31, 2019

(Rs. in Thousands)

Sr. No.	Issuer	Amount	Extent of Private Placement	Extent of below Investment grade securities	Extent of Unrated Securities**	Extent of Unlisted Securities#
1.	PSUs	-	-	-	-	-
2.	FIs	150,662	150,662	-	-	-
3.	Banks	-	-	-	-	-
4.	Private Corporates	-	-	-	-	-

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SCHEDULE FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

Sr. No.	Issuer	Amount	Extent of Private Placement	Extent of below Investment grade securities	Extent of Unrated Securities**	Extent of Unlisted Securities#
5.	Subsidiaries/ Joint Ventures	-	-	-	-	-
6.	Others*	230,347	-	-	223,377	-
7.	Provision held towards Depreciation	(15,233)				
	Total	**365,776**	**150,662**	-	**223,377**	-

*This includes security receipt received on sale of assets to ARC

**Excludes investments in equity shares in line with extant RBI guidelines.

#Excludes investments in equity shares, security receipts, commercial paper and certificate of deposits in line with extant RBI guidelines.

5. Non-Performing Non SLR Investments

Movement in non-performing Non SLR Investment is set out below: -

(*Rs. in Thousands*)

Particulars	March 31, 2019
Opening Balance	-
Additions on amalgamation by conversion into WOS	6,970
Additions during the year since 1st April	-
Reductions on account of write off during the year	-
Closing balance	6,970
Total Provision held	6,970

6. Sale and Transfers to/ from HTM Category

During the FY 2018-2019, the Bank has not transferred any securities classified under Held to Maturity Category to Available for Sale Category, at the beginning of the year, in excess of 5% of book value of investments held at the beginning of the year under HTM category. In accordance with the Master Circular, issued by the Reserve Bank of India, on "Disclosures in Financial Statements", the excess of Book Value over Market Value of the Securities classified under HTM category at the end of the year amounts to Rs. Nil.

7. Forward Rate Agreement / Interest Rate Swap

(*Rs. in Thousands*)

Particulars	March 31, 2019
The notional principal of swap agreements	-
Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	-
Collateral required by the bank upon entering into swaps	-
Concentration of credit risk arising from the swaps (with Banks)	-
The fair value of the swap book [(Payable)/Receivable]	-

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8. Exchange Traded Interest Rate Derivatives

(*Rs. in Thousands*)

Sr. No.	Particulars	March 31, 2019
i.	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)	-
ii.	Notional principal amount of exchange traded interest rate derivatives outstanding (instrument-wise)	-
iii.	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	-
iv.	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	-

9. Disclosures on risk exposure in derivatives:

a) Qualitative Disclosures

The structure and organization for management of risk in derivatives trading:

Treasury operation is segregated into three different department's viz. front office, mid office and back office. The primary role of front office is to conduct business, that of mid office is to ensure compliance in accordance with set norms and policies and that of back office is to process/settle the transactions.

The Bank has in place policies and procedures, which have been approved by Board of Directors, to ensure adherence to various risk parameters and prudential limits .

The scope and nature of risk measurement, risk reporting and risk monitoring systems:

a. Risk Measurement

For foreign exchange contracts, risk is measured through a daily report called, Value at Risk (VAR), which computes VAR on the forex, gaps using FEDAI VAR factors.

b. Risk Reporting and Risk monitoring systems:

The Bank has the following reports/systems in place, which are reviewed by the top management:

1. VAR
2. Net Open Position
3. Aggregate Gap Limit (AGL)/Individual Gap Limit (IGL)
4. Stop loss limits

c. The Bank has the following policy paper in place, and approved by its Head Office;

1. Market Risk Policy
2. Investment Policy
3. Asset-Liability Management (ALM) policy

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SCHEDULE FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

Accounting Policy:

All outstanding derivatives transactions (including forex forwards) are booked as off-balance sheet items. The trading positions are revalued on a marked to market basis whereas the funding/investment swaps follow the accrual basis of accounting.

b) Quantitative Disclosures

(Rs. in Thousands)

Sr. No	Particulars	Currency Derivatives	Interest Rate Derivatives
		March 31, 2019	March 31, 2019
1.	Derivatives notional Principal Amount	2,497,316	-
	(a) For hedging	1,436,479	-
	(b) For trading	1,060,837	-
2.	Marked to Market position		
	(a) Asset (+)	17,881	-
	(b) Liability (-)	26,353	-
3.	Credit Exposure	67,827	-
4.	Likely impact of one percentage change in Interest Rate (100*PV01)		
	(a) On hedging derivatives	(11,929)	-
	(b) On trading derivatives	(14,428)	-
5.	Maximum and Minimum of 100*PV01 observed during the year		
	(a) On hedging		
	Maximum	-	-
	Minimum	(11,929)	-
	(b) On trading		
	Maximum	18,067	-
	Minimum	(32,495)	-

10. Non-Performing Assets (NPAs)

(Rs. in Thousands)

Particulars	March 31, 2019
(i) Net NPAs to Net Advances	8.81%
(ii) Movement of Gross NPAs	
(a) Opening balance	-
(b) Additions on amalgamation by conversion into WOS	893,128
(c) Additions during the year	604,323
(d) Reductions during the year	(4,392)
(e) Closing balance	**1,493,059**
(iii) Movement of Net NPAs	
(a) Opening balance	-
(b) Additions on amalgamation by conversion into WOS	59,820
(c) Additions during the year	446,874

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Particulars	March 31, 2019
(d) Reductions during the year	-
(e) Closing balance	**506,694**
(iv) Movement of provisions for NPAs (excluding provision on Standard Assets)	
(a) Opening balance	-
(b) Additions on amalgamation by conversion into WOS	833,308
(c) Provisions made during the year (Gross)	174,109
(d) Write-off / write-back of excess provisions	(21,052)
(e) Closing balance	**986,365**

Note :- Item (iii) & (iv) include the impact of counter cyclical provision and floating provision utilized amounting to Nil during FY 2018-2019.

11. Details of loan assets subjected to restructuring.

There was no restructuring during FY 2018-2019.

12. Details of financial assets sold to Securitization/ Reconstruction Company for Asset reconstruction

A. Details of Sales

(Rs. in Thousands)

	Particulars	March 31, 2019
(i)	No. of accounts	-
(ii)	Aggregate value (net of provisions) of accounts sold to SC / RC	-
(iii)	Aggregate consideration	-
(iv)	Additional consideration realized in respect of accounts transferred in earlier years	-
(v)	Aggregate gain / loss over net book value	-

B. Details of Book Value of Investments in Security Receipts

(Rs. in Thousands)

Particulars	March 31, 2019
(i) Backed by NPAs sold by the bank as underlying	223,377
(ii) Backed by NPAs sold by other banks / financial institutions / non-banking financial companies as underlying	-
Total	**223,377**

FY 2018-2019:

(Rs. in Thousands)

Sr. No.	Particulars	SRs issued within past 5 years	SRs issued more than 5 years ago but within past 8 years	SRs issued more than 8 years ago
(i)	Book value of SRs backed by NPAs sold by the bank as underlying	46,725	176,652	-
	Provision held against (i)	7,875	-	-

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Sr. No.	Particulars	SRs issued within past 5 years	SRs issued more than 5 years ago but within past 8 years	SRs issued more than 8 years ago
(ii)	Book value of SRs backed by NPAs sold by other banks / financial institutions / non-banking financial companies as underlying	-	-	-
	Provision held against (ii)	-	-	-
Total (i) + (ii)		**46,725**	**176,652**	**-**

13. Details of non-performing financial assets purchased/sold

(Rs. in Thousands)

Sr. No.		Particulars	March 31, 2019
A.		Details of non-performing financial assets purchased:	-
1	a	No. of accounts purchased during the year	-
	b	Aggregate outstanding	-
2	a	Of these, number of accounts restructured during the year	-
	b	Aggregate outstanding	-
B.		Details of non-performing financial assets sold:	
1		No. of accounts sold	-
2		Aggregate outstanding	-
3		Aggregate consideration received	-

14. Provisions on Standard Assets

(Rs. in thousands)

Particulars	March 31, 2019
Provision on Standard Assets	67,405

15. Important Financial Ratios

Particulars	March 31, 2019
Interest Income as a percentage to Working Funds*	6.63%
Non-Interest Income as a percentage to Working Funds*	0.73%
Operating Profit as a percentage to Working Funds*	(8.81)%
Return on Assets**	(9.62)%
Business (Deposits plus Advances) per employee (Rs. in Thousands) #	189,933
Profit / (Loss) per employee (Rs. in Thousands)	(17,400)

* Working Funds represent monthly average of total assets (excluding accumulated losses) during the year as reported to RBI in Form X under Section 27 of the Banking Regulation Act, 1949.

** Return on Assets is computed with reference to Average Working Funds (excluding accumulated losses).

Deposits exclude inter-bank deposits.

- All ratios are annualized

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16. Asset Liability Management

Maturity pattern of certain items of assets and liabilities as of March 31, 2019

(Rs. in Thousands)

Particulars	Day1	2 to 7 days	8 to 14 Days	15 to 28 Days	29 days and upto 3 months	Over 3 month and upto 6 months	Over 6 month and upto 1 year	Over 1 year and upto 3 years	Over 3 years and upto 5 years	Over 5 years	Total
Advances	25,808	60,218	17,205	29,675	21,557	36,797	458,060	2,651,296	783,073	1,664,440	**5,748,129**
Investment in Securities	2,837,350	-	-	-	-	250,907	550,852	333,154	44,528	6,970	**4,023,761**
Deposits	212,035	362,197	233,973	90,350	1,592,003	1,245,231	2,861,571	3,129,387	114,427	-	**9,841,174**
Borrowings	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency Assets	296,356	1,596,789	-	-	670,520	242,043	864,438	622,395	-	-	**4,292,541**
Foreign Currency Liabilities	120,496	2,835,616	-	12,429	370,363	274,762	411,084	2,113,992	-	-	**6,138,742**

Interest receivable on corporate term loans is adjusted under bucket 15 to 28 days

The information on maturity pattern has been compiled by the management based on the same estimate and assumptions as that for compiling the returns submitted to the RBI.

17. Exposure to Sensitive Sector

a. Exposure to Real Estate Sector

(Rs. in Thousands)

Category	March 31, 2019
a) Direct Exposure	
(i) Residential Mortgages	512,071
- of which housing loans up to Rs.15 Lakhs	1,413
(ii) Commercial Real Estate	500,000
(iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures	
(a) Residential	-
(b) Commercial Real Estate	-
b) Indirect Exposure	
Fund based and non-fund-based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	431,386
Total Exposure to Real Estate Sector	**1,443,457**

b. Exposure to Capital Market

(Rs. in Thousands)

	Particulars	March 31, 2019
1.	Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	6,970

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Particulars		March 31, 2019
ii.	Advances against shares/bonds/ debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	-
iii.	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	-
iv.	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/convertible bonds/convertible debentures/units of equity oriented mutual funds does not fully cover the advances;	-
v.	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;(see * below)	-
vi.	Loans sanctioned to corporates against the security of shares / bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-
vii.	Bridge loans to companies against expected equity flows/issues;	-
viii.	Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	-
ix.	Financing to stockbrokers for margin trading;	-
x.	All exposures to Venture Capital Funds (both registered and unregistered) will be deemed to be on par with equity and hence will be reckoned for compliance with the capital market exposure ceilings (both direct and indirect)	-
Total Exposure to Capital Market		**6,970**

18. Risk category-wise country exposure

Provision for Country Risk exposure in terms of RBI Circular DBOD.BP.BC.71/21.04.103/2002-03 dated February 19, 2013 is as follows:

(Rs. in Thousands)

Risk Category	Exposure (net) as at March 31, 2019	Provision held as at March 31, 2019
Insignificant	310,105	162
Low	105,664	-
Moderate	-	-
High	-	-
Very High	-	-
Restricted	-	-
Off-credit	-	-
Total	**415,769**	**162**

19. Details of Single Borrower Limit (SBL) / Group Borrower Limit (GBL) exceeded by the Bank

During FY 2018-2019, the Bank has not exceeded the single borrower limit or group borrower limit.

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20. Unsecured Advances

Unsecured advances have been appropriately classified under 'Schedule 9 – Advances'. During FY 2018-19, the Bank has not given loans against intangible securities such as rights, licenses, authority etc., hence no disclosure is required for reporting advances against intangibles.

21. Disclosure of Penalties imposed by RBI

There are no penalties imposed on our bank by RBI during FY 2018-19.

22. Prior Period Items

There are no prior periods items during the FY 2018-2019.

23. Description of contingent liabilities

Sr. No.	Contingent Liabilities	Brief
1.	Claims against the Bank not acknowledged as debts	The bank is a party to various legal and tax proceedings in the normal course of business. The Bank does not expect the outcome of these proceedings to have a material adverse effect on the Bank's financial conditions, results of operations or cash flows.
2.	Liability on account of forward exchange and derivative contracts	The Bank enters into foreign exchange contracts, currency options, forward rate agreements, currency swaps and interest rate swaps with interbank participants and customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by way of interest/principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. The notional amounts of financial instruments of such foreign exchange contracts and derivatives provide a basis for comparison with instruments recognized on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in market rates or prices relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favorable or unfavorable and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly.
3.	Guarantees given on behalf of constituents, acceptances, endorsements and other obligations	As a part of its commercial banking activities the Bank issues documentary credit and guarantees on behalf of its customers. Documentary credits such as letters of credit enhance the credit standing of the customers of the Bank. Guarantees generally represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfill its financial or performance obligations.
4.	Other items for which the Bank is contingently liable	- Value dated purchase of securities -Capital Commitments -Amount deposited with RBI under Depositor Education Awareness Fund

Refer Schedule 12 for amounts relating to contingent liability

24. Contingent Liabilities

Other items of Contingent Liability include, Income Tax of Rs. 81,818 thousand. The Bank has gone in appeal to Income Tax Appellate Tribunal (ITAT) and High Court against the income tax assessment order of the department

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for AY 1996-97, 1997-98, 1999-00 to 2008-09, 2012-13 and 2013-14. The appeals are pending final outcome of the ITAT and High Court, and the Bank is expecting favorable judicial decisions.

25. Provision for Long Term contracts

The Bank has assessed its long term contracts (including Derivative Contracts) for material foreseeable losses and made adequate provisions in the books of accounts, under any law/accounting standards wherever applicable and disclosed the same under the relevant notes in the financial statements.

26. Deferred Tax

In accordance with AS-22 on "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India (ICAI), the Bank has recognized Deferred Tax Assets on such timing differences where there is a reasonable certainty that such deferred tax assets can be reversed against the deferred tax liability. Deferred tax asset on accumulated carry forward business losses and depreciation is not recognized as there is no virtual certainty that sufficient future taxable income will be available against which such deferred tax asset can be realized."

The major composition of Deferred Tax Liabilities (DTL) & Deferred Tax Assets (DTA) is as under:

(Rs. in Thousands)

Sr. No.	Particulars	March 31, 2019
A.	**DTA :**	
(i)	Provision for Loan Losses, Floating Provision and counter cyclical provision	117,115
(ii)	Provision for Standard Advances	8,003
(iii)	Provision for Funded Interest Term Loan	-
(iv)	Disallowed Expenses	5,398
(v)	Unabsorbed Losses	-
	Total DTA	**130,516**
B.	**DTL :**	
(i)	Depreciation on Fixed Assets	(130,516)
	Total DTL	**(130,516)**
C.	**NET DTL / (DTA)**	**-**

27. Provisions & Contingencies

(Rs. in Thousands)

Particulars	March 31, 2019
Depreciation on Investments	(1,872)
Provision towards Non-Performing Assets / Investment (net of write-backs)	153,057
Provision for Standard Assets	(119,631)
Provision for Income Tax (including Deferred Tax)	9,341
Provisions for diminution in fair value Restructured Advances	-
Provision for Country Risk	(1,439)
Provision for interest capitalized on restructured accounts	-
Total	**39,456**

28. There was no instance of SGL bouncing during FY 2018-2019.

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29. Letter of Comfort/ Undertaking (LOCs/ LOUs) issued
There were NIL LOUs outstanding as of March 31, 2019.

30. Draw down from Reserves
During FY 2018-2019, there has been no drawdown from Reserves. Also Refer Schedule 2 – Reserves and Surplus.

31. Disclosure of Complaints / Unimplemented awards of banking ombudsmen
In accordance with RBI circular DBOD. No. Leg. BC.9/09.076/2009-10 dated July 01, 2009 details of customer complaints and awards passed by Banking Ombudsman are as follows:

a. Customer Complaints

	Particulars	March 31, 2019
(a)	No. of complaints pending at the beginning of the year	-
(b)	No. of complaints received during FY 2018-2019	-
(c)	No. of complaints redressed during FY 2018-2019	-
(d)	No. of complaints pending as at March 31, 2019	-

b. Awards passed by the Banking Ombudsman

	Particulars	March 31, 2019
(a)	No. of unimplemented Awards at the beginning of the year	-
(b)	No. of Awards passed by Banking Ombudsman during FY 2018-2019	-
(c)	No. of Awards implemented during FY 2018-2019	-
(d)	No. of unimplemented Awards Pending as at March 31, 2019	-

32. Segment Reporting

Part A: Business Segments
In accordance with RBI guidelines, the Bank has identified the following three primary segments: Treasury, Corporate Banking and Retail Banking. These segments are identified based on nature of services provided, risk and returns, organizational structure of the Bank and the internal financial reporting system.

Treasury Operations: Undertakes Derivative Trading, Money Market Operations, and Investment in Bonds, Treasury Bills, Government Securities, CP, CD and Foreign Exchange Operations. The revenue of this segment consist of interest earned on funding, investment income and gains on Government Securities, CP, CD's and debenture / bonds, profits / loss on exchange and derivative transactions. The principal expenses of this segment consist of cost of funds, personnel cost, other direct overheads and allocated expenses.
Corporate Banking: Primarily comprises of funded advances to Corporate. Revenues of this segment consist of interest earned on loans made to corporate clients, interest earned on cash float and fees received from fee-based activities like letter of credit, guarantee etc. The principal expenses of this segment consist of interest expenses on funds borrowed allocated based on personnel costs and allocated expenses.
Retail Banking: Consists of revenue arising out of personal loan, housing loan, etc.

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FY 2018-2019

(Rs. in Thousands)

Business Segments	Corporate	Treasury	Retail	Total
Revenue	185,509	160,483	13,892	359,884
Results	77,131	(31,813)	(38,824)	6,494
Un-allocable Expense**				(476,295)
Operating Profit				(469,801)
Income Taxes				-
Extraordinary Profit/Loss				-
Net profit/(Loss)				**(469,801)**
Other Information				
Segment Assets	5,472,080	9,704,995	599,672	15,776,747
Un-allocable Assets				206,507
Total Assets				**15,983,254**
Segment Liabilities	2,615,475	3,484,983	9,876,023	15,976,481
Un-allocable Liabilities				6,773
Total Liabilities				**15,983,254**
Capital expenditure during FY 2018-2019				55,166
Depreciation expenditure during FY 2018-2019				30,001

** includes provision for Cyber Fraud Rs. 396,653 thousand.

Part B: Geographic Segments

The Bank operates as a single unit in India and as such has no identifiable geographical segments subject to dissimilar risks and returns. Hence, no information relating to geographical segments are presented.

Notes for segment reporting:

1. In computing the above information, certain estimates and assumptions have been made by the Management and have been relied upon by the auditors.
2. Assets, liabilities, income and expenses which cannot be allocated to any segments have been classified as unallocated. The unallocated liabilities include TDS on vendor payments and service tax payable. The unallocated assets include taxes and capital work in progress. The unallocated expenses include IT expenses, repairs and maintenance, rent, conveyance, etc.

33. Disclosure under Employee Benefits – Revised Accounting Standard 15

a) The contribution to employees Provident Fund amounted to Rs. 6,259 thousand for the period December 1, 2018 to March 31, 2019.

b) The Bank has a policy to pay leave encashment to employees either at the time of resignation or on their retirement.

c) The Bank does not have pension scheme for its employees. However, the Bank contributes up to 10% of eligible employees' salary per annum, to the New Pension Fund administered by a Pension Fund Regulatory and Development Authority (PFRDA) appointed pension fund manager. The Bank recognizes such contributions as an expense in the year when an employee renders the related service. Such contribution for the period December 1, 2018 to March 31, 2019 is Rs. 291.37 thousand.

d) The Bank expects to contribute Rs. 1.49 crore to gratuity fund in financial year 2019-2020.

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I) Change in the Present value of Projected Benefit Obligation:

(Rs. in Thousands)

	March 31, 2019
Present Value of Benefit Obligation at the Beginning of the year	-
Interest Cost	641
Current Service Cost	1,617
(Benefit paid from the Fund)	-
Past Service Cost	-
Liability Transferred In/ Acquisitions	24,451
Actuarial (Gains)/Losses on Obligations - Due to Change in Demographic Assumptions	-
Actuarial (Gains)/Losses on Obligations - Due to Change in Financial Assumptions	-
Actuarial (Gains)/Losses on Obligations - Due to Experience	(565)
Present Value of Benefit Obligation at the End of the year	26,144

II) Change in the Fair Value of Plan Assets:

(Rs. in Thousands)

	March 31, 2019
Fair Value of Plan Assets at the Beginning of the year	-
Expected Return on Plan Assets	450
Contributions by the Employer	-
Assets Transferred In/Acquisitions	17,161
(Benefit Paid from the Fund)	-
Actuarial Gains/(Losses) on Plan Assets - Due to Experience	49
Fair Value of Plan Assets at the End of the year	17,660

III) Actuarial (Gains)/Losses Recognized in the Profit and Loss Account:

(Rs. in Thousands)

	March 31, 2019
Actuarial (Gains)/Losses on Obligation for the year	(565)
Actuarial (Gains)/Losses on Plan Asset for the year	(49)
Actuarial (Gains)/Losses Recognized in the Profit or Loss Account	(614)

IV) Actual Return on Plan Assets:

(Rs. in Thousands)

	March 31, 2019
Expected Return on Plan Assets	450
Actuarial Gains/(Losses) on Plan Assets - Due to Experience	49
Actual Return on Plan Assets	499

V) Amount Recognized in the Balance Sheet:

(Rs. in Thousands)

	March 31, 2019
(Present Value of Benefit Obligation at the end of the year)	(26,145)
Fair Value of Plan Assets at the end of the year	17,660
Funded Status (Surplus/ (Deficit))	(8,485)
Unrecognized Past Service Cost at the end of the year	-
Net (Liability)/Asset Recognized in the Balance Sheet	(8,485)

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VI) Net Interest Cost:

(Rs. in Thousands)

	March 31, 2019
Present Value of Benefit Obligation at the Beginning of the year	-
(Fair Value of Plan Assets at the Beginning of the year)	-
Net Liability/(Asset) at the Beginning	-
Interest Cost	641
(Expected Return on Plan Assets)	(450)
Net Interest Cost for Current Year	191

VII) Expenses Recognized in the Profit or Loss Account:

(Rs. in Thousands)

	March 31, 2019
Current Service Cost	1,617
Net Interest Cost	191
Actuarial (Gains)/Losses	(614)
Past Service Cost - Vested Benefit Recognized During the year	-
Expenses Recognized in the Profit or Loss Account	1,194

VIII) Balance Sheet Reconciliation:

(Rs. in Thousands)

	March 31, 2019
Opening Net Liability	-
Expense Recognized in Profit or Loss Account	1,195
Net Liability/(Asset) Transfer In	7,290
Net (Liability)/Asset Transfer Out	-
(Benefit Paid Directly by the Employer)	-
(Employer's Contribution)	-
Net Liability/(Asset) Recognized in the Balance Sheet	8,485

IX) Category of Assets:

(Rs. in Thousands)

	March 31, 2019
Government of India Assets	-
State Government Securities	-
Special Deposits Scheme	-
Debt Instruments	-
Corporate Bonds	-
Cash And Cash Equivalents	-
Insurance fund	17,660
Asset-Backed Securities	-
Structured Debt	-
Other	-
Total	**17,660**

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Actuarial assumptions:

	March 31, 2019
Expected Return on Plan Assets	7.54%
Rate of Discounting	7.54%
Rate of Salary Increase	9.85%
Rate of Employee Turnover	6%
Mortality Rate During Employment	Indian Assured Lives Mortality (2006-08)

Experience Adjustments:

(Rs. in Thousands)

Particulars	March 31, 2019
Plan Assets	17,660
Defined Benefit Obligation	26,145
Surplus / (Deficit)	8,485
Experience adjustment gain / (loss) on plan assets	49
Experience adjustment (gain) / loss on plan liabilities	(565)

34. Related Party Transactions

Related Party Transactions in terms of AS-18 on "Related Party Disclosures" are disclosed below:

Relationship during FY 2018-19:

1	Ultimate Parent	SBM Holdings Ltd.
2	Parent	SBM (Bank) Holdings Ltd.
3	Subsidiaries of Parent	SBM Bank (Mauritius) Ltd.
		SBM Bank (Kenya) Ltd.
4	Key Management Personnel	a. Managing Director & Chief Executive Officer – Sidharth Rath b. Chief Finance Officer – Talib Lokhandwala c. Company Secretary – Sanchita Kapoor d. Board of Directors

Transactions during the FY 2018-19:

(Rs. in Thousands)

Particulars	Parent		Subsidiaries of the Parent		Key Management Personnel		Total	
	Outstanding	Maximum Balance	Outstanding	Maximum Balance	Outstanding	Maximum Balance	Outstanding	Maximum Balance
Liabilities								
Deposit	-	-	263,284	760,278	1,645	-	264,928	760,278
Borrowings	-	-	-	1,563,760	-	-	-	1,563,760
Interest payable	-	-	-	-	-	-	-	-

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Particulars	Parent		Subsidiaries of the Parent		Key Management Personnel		Total	
	Outstanding	Maximum Balance	Outstanding	Maximum Balance	Outstanding	Maximum Balance	Outstanding	Maximum Balance
MTM loss on FX forwards	-	-	-	-	-	-	-	-
Payable to group	216,922	216,922	-	-	-	-	216,922	216,922
Total	**216,922**	**216,922**	**263,284**	**2,324,038**	**1,645**	**-**	**481,850**	**2,540,960**
Assets								
Lending	-	-	-	104,663	-	-	-	104,663
Balances with Bank	-	-	2,165	-	-	-	2,165	-
Interest receivable	-	-	-	-	-	-	-	-
MTM gain on FX forwards	-	-	-	-	-	-	-	-
Total	**-**	**-**	**2,165**	**104,663**	**-**	**-**	**2,165**	**104,663**
Interest paid	-	-	-	15,379	57	-	57	15,379
Fees paid	-	-	-	-	3,098	-	3,098	-
Salary cost	-	-	-	-	11,313	-	11,313	-
Interest Received	-	-	-	24	-	-	-	24
Off Balance sheet items								
FX Forwards	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

35. Impairment of Assets

There is no impairment of any of the fixed assets and as such no provision is required as per AS-28 on 'Impairment of Assets" issued by the ICAI.

36. Earnings Per Share

Particulars	31-Mar-19
Net profit after tax	(469,801)
Weighted average number of equity shares outstanding	218,049,229
Basic and diluted earnings per share in INR	(2.15)

37. Amalgamation by conversion into Wholly Owned Subsidiary (WOS)

The Bank was incorporated as a Company under the Companies Act, 2013 on March 30, 2017. The Bank commenced its Banking operations on December 01, 2018, upon approval on the Scheme of Amalgamation and issuance of banking license by RBI.

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Pursuant to the approval of Scheme of Amalgamation by RBI, the *Indian Operations* was amalgamated by conversion with the Bank with effect from December 01, 2018. Accordingly, assets amounting to Rs. 16,679,277 thousand and liabilities amounting to Rs. 11,489,871 thousand resulting in net assets amounting to Rs. 5,189,406 thousand along with contingent liabilities of Rs. 13,597,561 thousand pertaining to the *Indian Operations* was amalgamated by conversion with the Bank.

Details of the assets, liabilities and reserves acquired by the Bank are as under

Particulars	As at November 30, 2018
Assets	
Cash and Balances with Reserve Bank of India	416,583
Balances with banks and Money at Call and Short Notice	3,522,934
Investments	3,289,210
Advances	7,575,700
Fixed Assets	486,917
Other Assets	1,387,933
Total Assets [I]	**16,679,277**
Liabilities	
Deposits	7,159,582
Borrowings	3,381,090
Other Liabilities and Provisions	949,199
Total Liabilities [II]	**11,489,871**
Net Assets [I] – [II]	**5,189,406**
Net Assets is represented by	
Capital [III]	**6,569,584**
Reserves and Surplus	
Statutory Reserve	359,880
Capital Reserve	58,054
Retained Earnings	320,098
Revaluation Reserve	146,431
Debit Balance in Profit & Loss Account	(2,264,641)
Total Reserves and Surplus [IV]	**(1,380,178)**
Total [III] + [IV]	**5,189,406**

In accordance with the accounting treatment as defined in Scheme of Amalgamation approved by RBI, RBI framework for setting up of Wholly Owned Subsidiaries by Foreign Banks in India dated November 6, 2013 and section 115JG of the Income-tax Act read with the Notification Nos. 85 and 86 dated December 6, 2018; the Bank has recorded the assets, liabilities and reserves at the respective book values as appearing in the *Indian Operations* at the close of business of the day immediately preceding the effective date i.e. November 30, 2018.

The Bank has credited Share Capital by aggregate face value of the new equity shares issued to

a. SBM (Bank) Holdings Ltd. – 656,958,412 equity shares of Rs. 10 each as fully paid up, and
b. Other six independent share-holders – 6 equity shares of Rs. 10 each as fully paid up.

The total value of these shares represents the capital of the *Indian Operations* as on November 30, 2018

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38. Counter Cyclical / Floating Provisions

(Rs. in Thousands)

Particulars	March 31, 2019	
	Counter cyclical	Floating
Opening Balance in floating provision	-	-
Add- Additions on amalgamation by conversion into WOS	19,068	6,007
Add- Provision made during the year	-	-
Less- Provision utilize during the year for specific provision	-	-
Closing balance in floating provision	**19,068**	**6,007**

39. Small and Micro Industries

Under the Micro, Small and Medium Enterprises Development Act 2006 which came into force from October 2, 2006 certain disclosures are required to be made relating to Micro, Small and Medium Enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments. The above is based on information provided by the Bank which has been relied upon by the auditors.

40. The Bank has not undertaken bancassurance business during FY 2018-19.

41. Concentration of Deposits, Advances, Exposures and NPAs

I. Concentration of Deposits

(Rs. in Thousands)

Particulars	March 31, 2019
Total deposits of twenty largest depositors	5,881,749
Percentage of Deposits to twenty largest depositors to total deposits of the Bank	59.77%

Concentration of Advances*

(Rs. in Thousands)

Particulars	March 31, 2019
Total advances to twenty largest borrowers	5,335,780
Percentage of Advances to twenty largest borrowers to total advances of the Bank	79.89%

Concentration of Exposures*

(Rs. in Thousands)

Particulars	March 31, 2019
Total Exposures to twenty largest borrowers / customers	5,477,708
Percentage of Exposures to twenty largest borrowers / Customers to Total Exposures of the bank on borrowers / Customers	77.59%

*Excluding banking exposures

Concentration of NPA

(Rs. in Thousands)

Particulars	March 31, 2019
Total Exposure of top Four NPA accounts	1,323,878

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II. Sector wise Advances

(Rs. in Thousands)

Sl. No.	Sector	FY 2018-19		
		Outstanding Total Gross Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A	**Priority Sector**			
1	Agriculture and allied activities	-	-	0%
2	Advances to industries sector eligible as priority sector lending	760,105	760,105	100%
3	Services	401,910	-	0%
4	Personal loans	-	-	0%
	Sub-total (A)	1,162,015	760,105	65.41%
B	**Non-Priority Sector**			
1	Agriculture and allied activities	-	-	0%
2	Industry	2,464,034	687,996	27.92%
3	Services	1,531,324	-	0%
4	Personal loans	1,577,120	44,958	2.85%
	Sub-total (B)	**5,572,478**	**732,954**	13.15%
	Total (A+B)	**6,734,493**	**1,493,059**	22.17%

III. a) Movement of Gross NPAs

(Rs. in Thousands)

Particulars	**March 31, 2019**
Opening balance of Gross NPAs	-
Additions on amalgamation by conversion into WOS	893,128
Additions during the year	604,323
Sub-total (A)	**1,497,451**
Less:	
i. Upgradations	-
ii. Recoveries (excluding recoveries made from upgraded accounts)	(4,392)
iii. Write-offs	-
Sub-total (B)	**(4,392)**
Closing balance of Gross NPAs (A-B)	**1,493,059**

b)

(Rs. In Thousands)

Particulars	**March 31, 2019**
Opening balance of Technical/ Prudential written-off accounts	-
Add: Additions on amalgamation by conversion into WOS	**3,295,000**
Add: Technical/ Prudential write-offs during the year	-
Sub-total (A)	**3,295,000**

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Particulars	March 31, 2019
Less: Recoveries made from previously technical/ prudential written-off accounts during the year (B)	(4,889)
Closing balance as at end of the year (A-B)	**3,290,111**

IV. Overseas Assets, NPAs and Revenue

(Rs. in Thousands)

Particulars	March 31, 2019
Total Assets	-
Total NPAs	-
Total Revenue for the year ended	-

V. Off-balance sheet SPVs sponsored - NIL

42. Revaluation of Fixed Assets

The Bank computes depreciation on revalued premises over its estimated remaining useful life and accordingly an amount of Rs. 1,571 thousand have been accounted as depreciation and reduced from the Revaluation Reserve during FY 2018-19. Addition to Revaluation Reserve of Rs. 100,733 thousand has been made during FY 2018-19 as an adjustment on account of valuation of premises from approved valuers.

43. Software capitalized under Fixed Assets

(Rs. in Thousands)

Particulars	March 31, 2019
Cost at beginning of the year	-
Additions on amalgamation by conversion into WOS	232,749
Additions during the year	22,906
Deductions during the year	-
Depreciation to date*	98,315
Net Block	**157,340**

* Includes accumulated depreciation of Rs. 74,534 thousand accounted for in the books of *Indian Operations* till November 30, 2018

44. Provision Coverage Ratio (PCR)

As on March 31, 2019, the Bank has achieved the PCR ratio of 64.38% with reference to Gross NPA as on that day

45. Disclosure on Remuneration

Qualitative disclosures	
(a) Information relating to the composition and mandate of the Remuneration Committee.	The remuneration committee is constituted to oversee the framing, review and implementation of compensation policy of the bank on behalf of the board. The members of the committee are given below 1. Mr. Sanjay Kumar Bhattacharya 2. Mr. Azim Fakhruddin Currimjee

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Qualitative disclosures	
	3. Mr. Shyam Sundar Barik
(b) Information relating to the design and structure of remuneration processes and the key features and objectives of Remuneration policy.	The Bank follows the following practices and principles in designing and structuring the remuneration process:- A focus on long-term, risk-adjusted performance and reward mechanism by focusing on performance of the individual employee, the relevant line of business or function and the Bank as a whole. It seeks to drive accountability, and co-relate risk, financial performance and compensation. Key features and Objective of Remuneration policy are: The bank shall follow a Cash plus Benefits (Fixed Pay plus Benefits) approach in its Compensation framework by providing competitive level of compensation to attract and retain qualified and competent staff members. The compensation should be adjusted for all types of risk.
(c) Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks.	SBM has in place a robust risk and performance management system to capture, monitor, and control the risks created by its business activities. The goal is to not only manage the risks of the Firm, but also to create a culture of risk awareness, risk quantification and measurement and personal accountability. It seeks to ensure that the potential for any risk-taking by any individual, group, or business is controlled.
(d) Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration.	In determining total compensation, it considers the overall scope of an employee's responsibilities, the performance history of the individual with the Bank, comparisons with other staff within the Firm, external market compensation, and the overall performance of the function and the Bank and Group as whole. The Bank looks at sustained superior performance achieved across multiple factors over multiple time periods.
(e) A discussion of the bank's policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting.	The variable/performance pay shall not exceed 70% of the fixed pay for the year. In case where the variable pay constitutes a substantial portion of the fixed pay, i.e. 50% or more, then an appropriate portion of the variable pay, i.e. around 50% of the variable pay will be deferred over a minimum period of 3 years. In the event of negative contributions of the bank in any year, the deferred compensation will be subject to malus arrangements which permits the bank to prevent vesting of all or part of the amount of a deferred remuneration, but it does not reverse vesting after it has already occurred.
(f) Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the bank utilizes and the rationale for using these different forms.	There will be a proper balance between the fixed and the variable pay. The variable pay shall not exceed 70% of the fixed pay for the year. The proportion of variable pay will be higher at higher levels of responsibility and could be in cash, or stock linked instruments or mix of both.

Quantitative disclosures (The quantitative disclosures should only cover Whole Time Directors / Chief Executive Officer/ Other Risk Takers)	
(g) Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.	Total 4 Remuneration Committee meetings were held during FY 2018-19, members were paid remuneration of Rs. 500 thousand for attending the same.

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(h (i) Number of employees having received a variable remuneration award during the financial year. (ii) Number and total amount of sign-on awards made during the financial year. (iii) Details of guaranteed bonus, if any, paid as joining / sign on bonus (iv) Details of severance pay, in addition to accrued benefits, if any	NIL during FY 2018-19 - - -
(i) (i) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms. (ii) Total amount of deferred remuneration paid out in the financial year.	- -
(j) Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.	Chief Executive Officer (CEO) Deputy CEO and Chief Operations Officer (COO) Chief Risk Officer Chief Finance Officer Head - Treasury **Particulars** ***(Rs. in Thousands)*** Pay: 21,125 Variable: - Perquisites: 26 TOTAL: 21,151
(k) (i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments. (ii) Total amount of reductions during the financial year due to ex- post explicit adjustments. (iii) Total amount of reductions during the financial year due to ex- post implicit adjustments.	- - -

46. Disclosure on Remuneration to Non-executive Directors

The Non-Executive Directors are paid remuneration by way of sitting fees for attending meetings of Board and its committees. An amount of Rs. 3,098 thousand was paid as sitting fees to the Non-Executive Directors during the year.

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47. Accounting for leases

1. Financial lease

Bank has not entered into any financial lease in current year.

2. Operating lease

The lease agreement entered into pertains to use of premises by the Corporate Office, Branch and Residential House. There are no sub–lease arrangements.

(Rs. in Thousands)

Particulars	March 31, 2019
1. Total future minimum lease payments as at year end:	105,168
– Not later than one year	20,203
– Later than one year but not later than five years	84,965
– Later than five years	-
2. Lease payments recognized in the Profit and Loss Account in Schedule 16	4,716

48. Credit Default Swaps

The Bank does not have any Credit Default Swaps during FY 2018-19.

49. Intra-Group Exposures

In terms of RBI circular DBOD.No.BP.BC.96/21.06.102/2013-14 dated 11 February 2014, the disclosures on intra-group exposures are as below:

(Rs. in Thousands)

Sr. No.	Particulars	March 31, 2019
1	Total amount of intra-group exposures	103,500
2	Total amount of top-20 intra-group exposures	103,500
3	Percentage of intra-group exposures to total exposure of the bank on borrowers/customers	-
4	Details of breach of limits on intra-group exposures and regulatory action thereon, if any.	-

50. Transfers to Depositor Education and Awareness Fund (DEAF)

In terms of RBI circular DBOD.No.BP.BC.No.8/21.04.018/2014-15 dated 1 July 2014 on disclosures on DEAF are as below:

(Rs. in Thousands)

Particulars	March 31, 2019
Opening balance of amounts transferred to DEAF	-
Additions on amalgamation by conversion into WOS	3,542
Add : Amounts transferred to DEAF during the year	638
Less : Amounts reimbursed by DEAF towards claims	-
Closing balance of amounts transferred to DEAF	**4,180**

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51. Unhedged Foreign Currency Exposure

The Bank closely monitors the unhedged foreign currency exposures of its corporate clients and also factors this risk into the pricing. The information on the unhedged foreign currency exposures of the corporate is obtained on a quarterly basis and riskiness of the same with respect to the USD – INR exchange rate fluctuation is assessed.

The Bank addresses the currency induced credit risk in a comprehensive manner and the incremental provisioning and capital held by the Bank on account of the same as on 31st March 2019 is as follows:

Incremental Capital maintained by the Bank on account of unhedged foreign currency exposure is Rs 1,110 thousand.

Unhedged Foreign Currency Exposure provisions for current year:

(Rs. in Thousands)

Incremental standard asset provision required as per RBI guideline	Outstanding as on March 31, 2019	Incremental standard advance provision as on March 31, 2019
0 bps	4,963,815	-
20 bps	-	-
40 bps	277,619	1,110
60 bps	-	-
80 bps	-	-

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52. Liquidity Coverage Ratio

(Rs. in Thousands)

		Dec'18, Jan'19, Feb'19 & Mar'19	
		Total Un weighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets			
1	Total High Quality Liquid Assets (HQLA)		4,430,964
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:		
(i)	Stable deposits	-	-
(ii)	Less stable deposits	3,450,257	345,026
3	Unsecured wholesale funding, of which:		
(i)	Operational deposits (all counterparties)	-	-
(ii)	Non-operational deposits (all counterparties)	3,244,539	2,940,693
(iii)	Unsecured debt	-	-
4	Secured wholesale funding		
5	Additional requirements, of which		
(i)	Outflows related to derivative exposures and other	98,350	98,350
(ii)	Outflows related to loss of funding on debt products	-	-
(iii)	Credit and liquidity facilities	708,180	104,561
6	Other contractual funding obligations	783,690	783,690
7	Other contingent funding obligations	354,239	10,627
8	**TOTAL CASH OUTFLOWS**		4,282,948
Cash Inflows			
9	Secured lending (e.g. reverse repos)	1,439,906	-
10	Inflows from fully performing exposures	416,266	252,596
11	Other cash inflows	1,122,339	967,134
12	**TOTAL CASH INFLOWS**	2,978,512	1,219,730
13	**TOTAL HQLA**		4,430,964
14	**TOTAL NET CASH OUTFLOWS**		3,063,218
15	**LIQUIDITY COVERAGE RATIO (%)**		144.65

Qualitative disclosure

The Reserve Bank of India has prescribed monitoring of sufficiency of Bank's liquid assets using Basel III – Liquidity Coverage Ratio (LCR). The LCR is aimed at measuring and promoting short-term resilience of Banks to potential liquidity disruptions by ensuring maintenance of sufficient high-quality liquid assets (HQLAs) to survive an acute stress scenario lasting for 30 days.

The LCR requirement has been introduced in a phased manner with banks required to maintain minimum LCR of 70% till December 2016, 80% from January 2017, 90% from January 2018 onwards and 100% by January 2019.

The ratio comprises of high-quality liquid assets (HQLAs) as numerator and net cash outflows in 30 days as denominator. HQLA has been divided into two parts i.e. Level 1 HQLA which comprises of primarily cash, excess CRR, excess SLR and a portion of mandatory SLR as permitted by RBI (under MSF and FALLCR). Cash outflows are calculated by multiplying the outstanding balances of various categories or types of liabilities by the outflow run-off rates and cash inflows are calculated by multiplying the outstanding balances of various categories of contractual receivables by the rates at which they are expected to flow in.

For classification of deposits, the Bank segregates its deposits into various customer segments, viz Retail (which includes deposits from individuals), Corporate (which includes deposits from corporates) and Others (which includes all other residuary deposits) the Bank has included deposits from NBFCs as corporate deposits.

The Bank has suffered a cyber fraud during the FY2018-19, for which an ad-hoc adjustment of Rs. 25 Cr is made in the cash inflows for computing the LCR.

The Bank has considered the mark-to-market amounts for computing the net cash flows from derivative transactions including the CCIL deals in the LCR computation.

53. Capital Commitment

Capital Commitment outstanding as on March 31, 2019 amounts to Rs. 12,700 thousand.

54. Fraud

Particulars	March 31, 2019
Number of frauds reported	-
Amount involved in frauds	-
Provision made	-
Unamortised provision debited from 'other reserves'	-

55. There are numerous interpretative issues relating to the Supreme Court (SC) judgement on PF dated 28th February, 2019. As a matter of caution, the company has made a provision on a prospective basis from the date of the SC order. The company will update its provision, on receiving further clarity on the subject.

56. Other expenditure:

Details of expenses included in Other Expenditure in Schedule 16, exceeding 1% of the total income are set out below:

(Rs. in Thousands)

Particulars	FY 2018-19
Loss on account of cyber fraud	396,653
Other IT expenses	21,043

57. Priority sector lending certificates

The amount of PSLCs (category wise) sold and purchase during the year:

(Rs. in Thousands)

Sr. No.	Type of PSLCs	Purchase	Sale
1	PSLC – Agriculture	-	-
2	PSLC - SF / MF	-	-
3	PSLC - Micro Enterprises	-	-
4	PSLC – General	-	-
	TOTAL	-	-

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58. RBI vide its circular dated 18th April 2017, has directed that banks shall make suitable disclosures, wherever either (a) the additional provisioning requirements assessed by RBI exceed 15 percent of the published net profits after tax for the reference period or (b) the additional Gross NPAs identified by RBI exceed 15 percent of the published incremental Gross NPAs for the reference period, or both. The Bank started operations in Financial Year 2018-19. Accordingly, no RBI inspection was held for the Financial Year 2017-18 and no divergence was noted in respect of the Bank's asset classification and provisioning under the extant prudential norms on income recognition asset classification and provisioning (IRACP) which require such disclosures.

59. Previous year's figures have been regrouped / reclassified, wherever considered necessary, in order to make them comparable with figures for the current year. Previous years' figures have been audited by a firm of Chartered Accountants other than S. R. Batliboi & Associates LLP.

For S. R. Batliboi & Associates LLP

Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

Sarvesh Warty

per Sarvesh Warty
Partner
Membership No. 121411

Place: Mumbai
Date : September 20, 2019

S.R. BATLIBOI & ASSOCIATES LLP
MUMBAI
CHARTERED ACCOUNTANTS

For SBM Bank (India) Ltd.

Mr. Sidharth Rath
Managing Director &
Chief Executive Officer

Mr. Ameet Patel
Independent Director

Mr. Talib Lokhandwala
Chief Financial Officer

Mrs. Sanchita Kapoor
Company Secretary

Basel III – Pillar 3 disclosures for the year ended 31st March 2019

1. Scope of Application

Qualitative Disclosures:
SBM Bank (India) Limited was granted licence to carry on banking business in India. With effect from 1st December 2018, SBM Bank (India) Limited started its banking operation in India, under Wholly Owned Subsidiary (WoS) mode, with the amalgamation of Indian operations of SBM Bank (Mauritius) Ltd. with SBM Bank(India) Limited. As at 31 March 2019, the Bank has a presence of 4 branches. The Bank does not have any subsidiaries. Thus, the disclosures contained herein only pertain to the Bank.

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 Structure

Qualitative Disclosures:

Summary information and main features of capital instruments are given below.

Tier I capital comprises of Paid-up Capital for the purpose of meeting capital adequacy norms, statutory reserves, Capital Reserves and retained earnings. The deduction to the total capital pertains to Carry Forward Losses.

Tier II capital comprises of general loan loss provisions, country risk provision and revaluation reserve.

Quantitative Disclosures:

i) Composition of Capital:

(INR '000)

Composition of Capital as on 31st March 2019		
Particulars		Amounts
Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share capital plus related stock surplus (share premium)	70,49,584
2	Retained earnings	3,20,000
3	Accumulated other comprehensive income (and other reserves)	4,18,032
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies1)	-
	Public sector capital injections grandfathered until January 1, 2018	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	
6	Common Equity Tier 1 capital before regulatory adjustments	77,87,616
Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustments	
8	Goodwill (net of related tax liability)	
9	Intangibles (net of related tax liability)	27,55,330
10	Deferred tax assets2	
11	Cash-flow hedge reserve	
12	Shortfall of provisions to expected losses	
13	Securitisation gain on sale	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	
15	Defined-benefit pension fund net assets	

16	Investments in own shares (if not already netted off paid-up capital on reported balance sheet)	
17	Reciprocal cross-holdings in common equity	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	
20	Mortgage servicing rights4(amount above 10% threshold)	Not relevant
21	Deferred tax assets arising from temporary differences5(amount above 10% threshold, net of related tax liability)	
22	Amount exceeding the 15% threshold6	
23	of which: significant investments in the common stock of financial entities	
24	of which: mortgage servicing rights	
25	of which: deferred tax assets arising from temporary differences	
26	National specific regulatory adjustments7 (26a+26b+26c+26d)	-
26a	of which: Investments in the equity capital of unconsolidated insurance subsidiaries	
26b	of which: Investments in the equity capital of unconsolidated non-financial subsidiaries8	
26c	of which: Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank9	
26d	of which: Unamortised pension funds expenditures	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	
28	**Total regulatory adjustments to Common equity Tier 1**	27,55,330
29	**Common Equity Tier 1 capital (CET1)**	50,32,286
Additional Tier 1 capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (share premium) (31+32)	
31	of which: classified as equity under applicable accounting standards (Perpetual Non-Cumulative Preference Shares)	
32	of which: classified as liabilities under applicable accounting standards (Perpetual debt Instruments)	
33	Directly issued capital instruments subject to phase out from Additional Tier 1	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	
35	of which: instruments issued by subsidiaries subject to phase out	
36	**Additional Tier 1 capital before regulatory adjustments**	-
Additional Tier 1 capital: regulatory adjustments		
37	Investments in own Additional Tier 1 instruments	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)10	
41	National specific regulatory adjustments (41a+41b)	-
41a	Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries	
41b	Shortfall in the Additional Tier 1 capital of majority owned financial entities which	

	have not been consolidated with the bank	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	
43	**Total regulatory adjustments to Additional Tier 1 capital**	-
44	**Additional Tier 1 capital (AT1)**	
45	**Tier 1 capital (T1 = CET1 + Admissible AT1) (29 + 44a)**	50,32,286
Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	
47	Directly issued capital instruments subject to phase out from Tier 2	
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	
49	of which: instruments issued by subsidiaries subject to phase out	
50	Provisions12	1,78,084
51	**Tier 2 capital before regulatory adjustments**	1,78,084
Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments	
53	Reciprocal cross-holdings in Tier 2 instruments	
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	
55	Significant investments13in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	
56	National specific regulatory adjustments (56a+56b)	-
56a	of which: Investments in the Tier 2 capital of unconsolidated insurance subsidiaries	
56b	of which: Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the bank	
57	**Total regulatory adjustments to Tier 2 capital**	-
58	**Tier 2 capital (T2)**	1,78,084
58a	Tier 2 capital reckoned for capital adequacy14	1,78,084
58b	**Excess Additional Tier 1 capital reckoned as Tier 2 capital**	
58c	**Total Tier 2 capital admissible for capital adequacy (58a + 58b)**	1,78,084
59	**Total capital (TC = T1 + Admissible T2) (45 + 58c)**	52,10,370
60	**Total risk weighted assets (60a + 60b + 60c)**	1,06,68,793
60a	of which: total credit risk weighted assets	61,75,615
60b	of which: total market risk weighted assets	34,69,221
60c	of which: total operational risk weighted assets	10,23,957
Capital ratios		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	47.17%
62	Tier 1 (as a percentage of risk weighted assets)	47.17%
63	Total capital (as a percentage of risk weighted assets)	48.84%
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation plus countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of risk weighted assets)	7.38%
65	of which: capital conservation buffer requirement	1.88%
66	of which: bank specific countercyclical buffer requirement	
67	of which: G-SIB buffer requirement	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	41.67%
National minima (if different from Basel III)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	5.50%
70	National Tier 1 minimum ratio (if different from Basel III minimum)	7.00%

71	National total capital minimum ratio (if different from Basel III minimum)	9.00%
Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital of other financial entities	
73	Significant investments in the common stock of financial entities	
74	Mortgage servicing rights (net of related tax liability)	NA
75	Deferred tax assets arising from temporary differences (net of related tax liability)	NA
Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	
Capital instruments subject to phase-out arrangements (only applicable between March 31, 2017 and March 31, 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements	NA
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	NA
82	Current cap on AT1 instruments subject to phase out arrangements	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	
84	Current cap on T2 instruments subject to phase out arrangements	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	

Note to the template

Row No. of the template	Particular	Amount
10	Deferred tax assets associated with accumulated losses	
	Deferred tax assets (excluding those associated with accumulated losses) net of Deferred tax liability	0
	Total as indicated in row 10	
19	If investments in insurance subsidiaries are not deducted fully from capital and instead considered under 10% threshold for deduction, the resultant increase in the capital of bank	
	of which: Increase in Common Equity Tier 1 capital	
	of which: Increase in Additional Tier 1 capital	
	of which: Increase in Tier 2 capital	
26b	If investments in the equity capital of unconsolidated non-financial subsidiaries are not deducted and hence, risk weighted then:	
	(i) Increase in Common Equity Tier 1 capital	
	(ii) Increase in risk weighted assets	
44a	Excess Additional Tier 1 capital not reckoned for capital adequacy (difference between Additional Tier 1 capital as reported in row 44 and admissible Additional Tier 1 capital as reported in 44a)	
	of which: Excess Additional Tier 1 capital which is considered as Tier 2 capital under row 58b	
50	Eligible Provisions included in Tier 2 capital	67,567
	Eligible Revaluation Reserves included in Tier 2 capital	1,10,517
	Total of row 50	1,78,084

(ii) Composition of Capital- Reconciliation

(INR '000)

				Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation
Composition of Capital- Reconciliation Requirements as on 31st March 2019					
Particulars					
A	**Capital & Liabilities**				
	i.	Paid-up Capital		70,49,584	70,49,584
		Reserves & Surplus		(17,71,705)	(17,71,705)
		Minority Interest		-	-
		Total Capital		52,77,879	52,77,879
	ii.	**Deposits**		98,41,174	98,41,174
		of which: Deposits from banks		2,04,739	2,04,739
		of which: Customer deposits		96,36,435	96,36,435
		of which: Other deposits (pl. specify)		-	-
	iii.	**Borrowings**		-	-
		of which: From RBI		-	-
		of which: From banks		-	-
		of which: From other institutions & agencies		-	-
		of which: Others (pl. specify) **(Borrowings outside India)**		-	-
		of which: Capital instruments		-	-
	iv.	**Other liabilities & provisions**		8,64,201	8,64,201
	Total Liabilities			**1,59,83,254**	**1,59,83,254**
B	**Assets**				
	i.	Cash and balances with Reserve Bank of India		3,00,204	3,00,204
		Balance with banks and money at call and short notice		44,02,083	44,02,083
	ii.	**Investments:**		40,23,761	40,23,761
		of which: Government securities		36,57,985	36,57,985
		of which: Other approved securities		-	-
		of which: Shares		6,970	6,970
		of which: Debentures & Bonds		1,50,662	1,50,662
		of which: Subsidiaries / Joint Ventures / Associates		-	-
		of which: Others (Commercial Papers, Mutual Funds etc.)		2,23,377	2,23,377
		Less: Provision for Dimunition		(15,233)	(15,233)
	iii.	**Loans and advances**		57,48,129	57,48,129
		of which: Loans and advances to banks		2,23,007	2,23,007
		of which: Loans and advances to customers		55,25,122	55,25,122
	iv.	**Fixed assets**		6,22,138	6,22,138
	v.	**Other assets**		8,86,939	8,86,939
		of which: Goodwill and intangible assets			
		of which: Deferred tax assets		-	-
	vi.	**Goodwill on consolidation**			
	vii.	**Debit balance in Profit & Loss account**		-	-
	Total Assets			**1,59,83,254**	**1,59,83,254**

3. Capital Adequacy:

Qualitative disclosures

Bank's approach to assessing the adequacy:

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 requirements and capital adequacy ratio as at 31st March 2019 are as follows:

(INR '000)

S. No.	PARTICULARS	AMOUNT*
A	Capital requirement for credit risk	
	- Portfolios subject to standardised approach & securitisation exposures	7,10,196
B	Capital requirement for market risk	
	Standardised duration approach	
	- Interest rate risk	39,583
	- Foreign exchange risk	49,594
	- Equity risk	3,09,784
C	Capital requirement for operational risk	
	-Basic indicator approach	1,17,756
D	Capital Adequacy ratio of the Bank (%)	48.84%
E	Tier I CRAR (%)	47.17%

*Capital requirement for Credit, Market & Operational Risk has been computed by multiplying 11.5% to risk weighted assets.

4. 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
- Liquidity Risk
- Interest Rate Risk in the Banking Book

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 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 2018-19 bank has non-performing assets, net off provision (Gross NPA less Provision), amounting to INR 5,06,695.00 thousand.

The Bank has adopted the Standardised Approach under Basel III for credit risk for Financial Year 2018-19.

(b) Total Gross credit risk exposures including Geographic Distribution of Exposure

(INR '000)

	Mar – 19	Mar – 19	Mar – 19
Particulars	**Domestic**	**Overseas**	**Total**
Fund Based	67,12,687	1,00,000	68,12,687
Non Fund Based	80,298	3,499	83,797
Total	**67,92,985**	**1,03,499**	**68,96,484**

(c) Residual maturity break down of Assets

(INR '000)

MATURITY BUCKETS	Cash balances with RBI and other Banks	Investment Securities	Loans and Advances	Other Assets including fixed assets
Next Day	8,671	28,37,350	25,808	1,12,324
2 TO 7 Days	10,966	-	60,218	1,11,052
8 TO 14 Days	7,084	-	17,205	1,10,928
15 to 28 days	2,735	-	29,675	75,759
29 days to 3 months	48,200	-	21,557	17,008
Over 3 months upto 6 months	37,701	2,50,907	36,797	1,40,280
over 6 months upto 12 months	86,637	5,50,852	4,58,060	-
Over 1 year to 3 years	94,746	3,33,154	26,51,296	-
Over 3 years to 5 years	3,464	44,528	7,83,073	-
Over 5 years	-	6,970	16,64,440	9,41,726
Total	**3,00,204**	**40,23,761**	**57,48,129**	**15,09,077**

(d) Movement of NPA's and Provision for NPA's

Gross NPAs in various categories (Sub-standard, doubtful, loss etc):

(INR '000)

		Mar – 19
A	Amount of NPA's (Gross)	1,493,059
B	Net NPA's	506,694
C	**NPA's ratios**	
	Gross NPAs to gross advances (%)	22.17
	Net NPAs to net advances (%)	8.81
D	Movement of Gross NPAs	
	Opening Balance as on 1st Apr	-
	Additions on amalgamation by conversion into WOS	893,128
	Additions	604,323
	Reductions	(4,392)
	Closing balance as on 31st Mar	1,493,059
E	Movement of Provision for NPAs	
	Opening Balance as on 1st Apr	-
	Additions on amalgamation by conversion into WOS	833,308
	Provision made during the year	174,109
	Write-off / write-back of excess provisions	(21,052)
	Closing balance as on 31st Mar	986,365

Credit Risk: Portfolios under the standardised approach:

Qualitative Disclosures:

- The Bank is using Credit Risk Assessment of ICRA, CRISIL, India Ratings and CARE for the purpose of arriving at risk weight age wherever available.
- Rating is accepted only if our exposure is included in the rating.

Quantitative Disclosures:

The exposure under each credit risk category is as follows:

(INR '000)

Risk Bucket	Amount
Below 100% Risk Weight	1,43,33,563
100% risk weight	40,28,792
More than 100% risk weight	2,90,662
Total	**1,86,53,017**

Credit Risk Mitigation: Disclosures for standardised approaches

Qualitative Disclosures:

It is the policy of the bank to request for paripassu charge on current assets/movable fixed assets/immovable assets for corporate credits, unless the business case warrants unsecured lending. Security is recognized only as a fallback option and repayment of facilities are primarily sought from the cash flow of the borrower's business. Collateral security is an important comfort to mitigate risk. Bank insists on proper valuation of collateral security wherever stipulated.

Quantitative Disclosures

The total value of eligible Cash collateral (Fixed Deposits held under Lien) for credit risk portfolio is INR 9,54,761.54 thousand.

Securitisation: disclosure for standardised approach

Qualitative and Quantities disclosures:

The bank had securitized NPA assets (Marg Ltd) through Pegasus Assets Reconstruction Pvt. Ltd. and subscribed to Security Receipts to the tune of INR 1,76,652 thousand issued by the Asset Reconstruction Company. Bank securitized the NPA asset of Arch Pharma and subscribed to the Security Receipt to the tune of INR 24,225 thousand issued by JM Asset Reconstruction Company Ltd. Bank securitized the NPA asset of Core Education and subscribed to the Security Receipt to the tune of INR 22,500 thousand issued by Rare ARC Pvt Ltd. Provision of INR 7,875 thousand is made for Rare ARC.

Market risks in the trading book

Qualitative disclosures

Market Risk

It is the risk of losses arising from changes in market rates or prices that can affect the value of financial instruments. In the Bank all Market Risk is centralized in the dealing room. Market Risk is tracked and measured on a dynamic basis by a dedicated Market Risk desk and periodic reports are circulated to senior management.

Market Risk Organization Structure at the Bank

Bank's Risk Management is centralized at its Corporate Office in Mumbai. The Risk Management Committee of the Board approves risk tolerance and appetite for market risk on the recommendation of the Management. It also monitors and reviews significant risks and effectiveness of processes and sets out management responsibilities.

Market Risk Limit Structure at the Bank

Market Risk limits represents strategic restrictions, reflecting the risk tolerance of the Bank, the nature of the trading activities and the perceived trading and management skills. The limit setting is to prevent the accumulation of Market Risk beyond the Bank's risk tolerance level, as determined by the Bank's top management, and to reflect mandates of individual trading units. Market Risk limits are set in a top-down process and organized in a certain hierarchy.

The Bank calculates the risk charge on market risk on the basis of standardized approach as prescribed by RBI. The portfolio contains foreign exchange and interest rate risk only. The interest rate general risk is computed on the basis of duration based approach.

The capital requirements for market risk are as follows:

(INR '000)

	Mar-19
Interest Rate Risk	39,583
Equity position risk	3,09,784
Foreign Exchange risk	49,594
Total	**3,98,961**

Operational Risk:

Qualitative disclosures: The approaches for operational risk capital assessment

The Bank's Operational Risk Management framework includes the identification, assessment, measurement and monitoring & oversight of operational risks within the Bank.
The Bank has a commitment to meeting high ethical and Operational Risk Management standards in the way it conducts its business. The governing principles and fundamental components of the Bank's operational risk management approach include accountability in the individual business lines for management and control of the significant operational risks to which they are exposed.

An effective organization structure through which operational risk is managed including:

- A Board of Directors responsible for sound corporate governance.
- Separation of duties between key functions.
- An independent risk function with the Head of the risk function reporting to the Board of Directors.
- An independent internal audit department responsible for verifying that significant risks are identified and assessed and for determining whether appropriate controls are in place to ensure that overall risks are at an acceptable level.
- Risk mitigation programs, which use insurance policies to transfer the risk of high severity losses e.g. cash, where feasible and appropriate
- Business Continuity Management (BCM) framework being implemented to mitigate the risks arising due to disruption of key business services for an extended period of time.

As permitted by RBI, the Bank presently follows the Basic Indicator Approach for assessing the capital requirement for computing capital charge for Operational Risk.

Liquidity Risk

Liquidity Risk is the risk that the Bank is not able to fulfil its actual and potential financial obligations, as and when they are due, without incurring unacceptable losses. The Different dimensions of liquidity risks are (i) Funding risk – need to replace net outflows due to unanticipated withdrawal/non-renewal of deposits (wholesale / retail) (ii) Time risk – need to compensate for non-receipt of expected inflows of funds, for example, performing assets turning into non-performing assets and (iii) Call Risk – due to crystallization of contingent liabilities and unable to undertake profitable business opportunities when desirable. The Bank has a liquidity risk management policy in place, which acts as the principal document for management of liquidity risk.

Liquidity Risk Organization Structure

The ultimate responsibility for the Liquidity Risk of the Bank lies with the Asset & Liability Committee (ALCO). ALCO meets monthly and monitors the funding and liquidity position of the Bank and provides structural guidance and oversight. The bank prepares and analyzes the structural liquidity statement reports as per RBI defined time buckets. The Bank has put in place liquidity mitigants such as call borrowings.

Interest rate risk in the banking book (IRRBB)

Qualitative Disclosures

Interest Rate Risk in the Banking Book

Interest Rate risk in Banking Book (IRRBB) refers to the risk of loss in earnings or economic value of the Bank's Banking Book as a consequence of movement in interest rates. Interest rate risk arises from holding assets/liabilities and Off-Balance Sheet [OBS] items with different principal amount, maturity dates or re-pricing dates thereby creating exposure to changes in levels of interest rates.

IRRBB Organization Structure

Asset and Liability Committee (ALCO) ensures compliance with regulatory and internal policies related to IRRBB and provides strategic direction, for achieving IRRBB management objectives. The ALCO focuses on building strong interest rate indicators, which positively contributes to optimizing the balance sheet structure and maximizes NII over time, while minimizing susceptibility to interest changes. The ALCO is convened regularly to review interest rate risk in the Bank's balance sheet and to assess the market condition.

Quantitative Disclosures

The impact of an incremental 200 basis points parallel fall or rise in all yield curves at the beginning of the year on net interest income for the next 12 months (EAR) amounts to INR 59,277 thousand.

5. Leverage Ratio:

(INR '000)

Leverage Ratio as on 31st March 2019		
Sr. No.	**Particulars**	**Amount**
	On-Balance Sheet Exposure	
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	**1,60,40,382.00**
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	-
3	**Total on-balance sheet exposures (excluding derivatives and SFTs)** (sum of lines 1 and 2)	**1,60,40,382.00**
	Derivative Exposure	
4	Replacement cost associated with all *derivatives* transactions (i.e. net of eligible cash variation margin)	-
5	Add-on amounts for PFE associated with *all* derivatives transactions	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8	(Exempted CCP leg of client-cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11	**Total derivative exposures (sum of lines 4 to 10)**	-
	Securities Financing Transaction Exposures	
12	Gross SFT *assets* (with no recognition of netting), after adjusting for sale accounting transactions	
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	CCR exposure for SFT assets	-
15	Agent transaction exposures	-
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**	-
	Other Off-Balance Sheet Exposure	
17	Off-balance sheet exposure at gross notional amount	**8,82,266.00**
18	(Adjustments for conversion to credit equivalent amounts)	**-1,06,475.00**
19	**Off-balance sheet items (sum of lines 17 and 18)**	**7,75,791.00**
	Capital and total Exposures	
20	**Tier 1 Capital**	**50,32,286.00**
21	**Total Exposures (sum of lines 3,11,16 and 19)**	**1,68,16,173.00**
	Leverage Ratio	
22	**Basel III Leverage Ratio (%)**	**29.93**

For SBM Bank (India) Ltd

Mr. Sidharth Rath
MD & CEO

Place: Mumbai
Date : Sept 20, 2019

Basel III – Pillar 3 disclosures for the year ended 31st March 2019

1. Scope of Application

Qualitative Disclosures:

SBM Bank (India) Limited was granted licence to carry on banking business in India. With effect from 1st December 2018, SBM Bank (India) Limited started its banking operation in India, under Wholly Owned Subsidiary (WoS) mode, with the amalgamation of Indian operations of SBM Bank (Mauritius) Ltd. with SBM Bank(India) Limited. As at 31 March 2019, the Bank has a presence of 4 branches. The Bank does not have any subsidiaries. Thus, the disclosures contained herein only pertain to the Bank.

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 Structure

Qualitative Disclosures:

Summary information and main features of capital instruments are given below.

Tier I capital comprises of Paid-up Capital for the purpose of meeting capital adequacy norms, statutory reserves, Capital Reserves and retained earnings. The deduction to the total capital pertains to Carry Forward Losses.

Tier II capital comprises of general loan loss provisions, country risk provision and revaluation reserve.

Quantitative Disclosures:

i) Composition of Capital:

(INR '000)

Composition of Capital as on 31st March 2019		
Particulars		Amounts
Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share capital plus related stock surplus (share premium)	70,49,584
2	Retained earnings	3,20,000
3	Accumulated other comprehensive income (and other reserves)	4,18,032
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies1)	-
	Public sector capital injections grandfathered until January 1, 2018	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	
6	Common Equity Tier 1 capital before regulatory adjustments	77,87,616
Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustments	
8	Goodwill (net of related tax liability)	
9	Intangibles (net of related tax liability)	27,55,330
10	Deferred tax assets2	
11	Cash-flow hedge reserve	
12	Shortfall of provisions to expected losses	
13	Securitisation gain on sale	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	
15	Defined-benefit pension fund net assets	

16	Investments in own shares (if not already netted off paid-up capital on reported balance sheet)	
17	Reciprocal cross-holdings in common equity	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	
20	Mortgage servicing rights4(amount above 10% threshold)	Not relevant
21	Deferred tax assets arising from temporary differences5(amount above 10% threshold, net of related tax liability)	
22	Amount exceeding the 15% threshold6	
23	of which: significant investments in the common stock of financial entities	
24	of which: mortgage servicing rights	
25	of which: deferred tax assets arising from temporary differences	
26	National specific regulatory adjustments7 (26a+26b+26c+26d)	-
26a	of which: Investments in the equity capital of unconsolidated insurance subsidiaries	
26b	of which: Investments in the equity capital of unconsolidated non-financial subsidiaries8	
26c	of which: Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank9	
26d	of which: Unamortised pension funds expenditures	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	
28	**Total regulatory adjustments to Common equity Tier 1**	27,55,330
29	**Common Equity Tier 1 capital (CET1)**	50,32,286
Additional Tier 1 capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (share premium) (31+32)	
31	of which: classified as equity under applicable accounting standards (Perpetual Non-Cumulative Preference Shares)	
32	of which: classified as liabilities under applicable accounting standards (Perpetual debt Instruments)	
33	Directly issued capital instruments subject to phase out from Additional Tier 1	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	
35	of which: instruments issued by subsidiaries subject to phase out	
36	**Additional Tier 1 capital before regulatory adjustments**	-
Additional Tier 1 capital: regulatory adjustments		
37	Investments in own Additional Tier 1 instruments	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)10	
41	National specific regulatory adjustments (41a+41b)	-
41a	Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries	
41b	Shortfall in the Additional Tier 1 capital of majority owned financial entities which	

	have not been consolidated with the bank	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	
43	**Total regulatory adjustments to Additional Tier 1 capital**	-
44	**Additional Tier 1 capital (AT1)**	
45	**Tier 1 capital (T1 = CET1 + Admissible AT1) (29 + 44a)**	50,32,286
Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	
47	Directly issued capital instruments subject to phase out from Tier 2	
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	
49	of which: instruments issued by subsidiaries subject to phase out	
50	Provisions12	1,78,084
51	**Tier 2 capital before regulatory adjustments**	1,78,084
Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments	
53	Reciprocal cross-holdings in Tier 2 instruments	
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	
55	Significant investments13in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	
56	National specific regulatory adjustments (56a+56b)	-
56a	of which: Investments in the Tier 2 capital of unconsolidated insurance subsidiaries	
56b	of which: Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the bank	
57	**Total regulatory adjustments to Tier 2 capital**	-
58	**Tier 2 capital (T2)**	1,78,084
58a	Tier 2 capital reckoned for capital adequacy14	1,78,084
58b	**Excess Additional Tier 1 capital reckoned as Tier 2 capital**	
58c	**Total Tier 2 capital admissible for capital adequacy (58a + 58b)**	1,78,084
59	**Total capital (TC = T1 + Admissible T2) (45 + 58c)**	52,10,370
60	**Total risk weighted assets (60a + 60b + 60c)**	1,06,68,793
60a	of which: total credit risk weighted assets	61,75,615
60b	of which: total market risk weighted assets	34,69,221
60c	of which: total operational risk weighted assets	10,23,957
Capital ratios		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	47.17%
62	Tier 1 (as a percentage of risk weighted assets)	47.17%
63	Total capital (as a percentage of risk weighted assets)	48.84%
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation plus countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of risk weighted assets)	7.38%
65	of which: capital conservation buffer requirement	1.88%
66	of which: bank specific countercyclical buffer requirement	
67	of which: G-SIB buffer requirement	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	41.67%
National minima (if different from Basel III)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	5.50%
70	National Tier 1 minimum ratio (if different from Basel III minimum)	7.00%

71	National total capital minimum ratio (if different from Basel III minimum)	9.00%
Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital of other financial entities	
73	Significant investments in the common stock of financial entities	
74	Mortgage servicing rights (net of related tax liability)	NA
75	Deferred tax assets arising from temporary differences (net of related tax liability)	NA
Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	
Capital instruments subject to phase-out arrangements (only applicable between March 31, 2017 and March 31, 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements	NA
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	NA
82	Current cap on AT1 instruments subject to phase out arrangements	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	
84	Current cap on T2 instruments subject to phase out arrangements	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	

Note to the template

Row No. of the template	Particular	Amount
10	Deferred tax assets associated with accumulated losses	
	Deferred tax assets (excluding those associated with accumulated losses) net of Deferred tax liability	0
	Total as indicated in row 10	
19	If investments in insurance subsidiaries are not deducted fully from capital and instead considered under 10% threshold for deduction, the resultant increase in the capital of bank	
	of which: Increase in Common Equity Tier 1 capital	
	of which: Increase in Additional Tier 1 capital	
	of which: Increase in Tier 2 capital	
26b	If investments in the equity capital of unconsolidated non-financial subsidiaries are not deducted and hence, risk weighted then:	
	(i) Increase in Common Equity Tier 1 capital	
	(ii) Increase in risk weighted assets	
44a	Excess Additional Tier 1 capital not reckoned for capital adequacy (difference between Additional Tier 1 capital as reported in row 44 and admissible Additional Tier 1 capital as reported in 44a)	
	of which: Excess Additional Tier 1 capital which is considered as Tier 2 capital under row 58b	
50	Eligible Provisions included in Tier 2 capital	67,567
	Eligible Revaluation Reserves included in Tier 2 capital	1,10,517
	Total of row 50	1,78,084

(ii) Composition of Capital- Reconciliation

(INR '000)

Composition of Capital- Reconciliation Requirements as on 31st March 2019				
		Particulars	**Balance sheet as in financial statements**	**Balance sheet under regulatory scope of consolidation**
A	**Capital & Liabilities**			
	i.	Paid-up Capital	70,49,584	70,49,584
		Reserves & Surplus	(17,71,705)	(17,71,705)
		Minority Interest	-	-
		Total Capital	52,77,879	52,77,879
	ii.	**Deposits**	98,41,174	98,41,174
		of which: Deposits from banks	2,04,739	2,04,739
		of which: Customer deposits	96,36,435	96,36,435
		of which: Other deposits (pl. specify)	-	-
	iii.	**Borrowings**	-	-
		of which: From RBI	-	-
		of which: From banks	-	-
		of which: From other institutions & agencies	-	-
		of which: Others (pl. specify) **(Borrowings outside India)**	-	-
		of which: Capital instruments	-	-
	iv.	**Other liabilities & provisions**	8,64,201	8,64,201
		Total Liabilities	**1,59,83,254**	**1,59,83,254**
B	**Assets**			
	i.	Cash and balances with Reserve Bank of India	3,00,204	3,00,204
		Balance with banks and money at call and short notice	44,02,083	44,02,083
	ii.	**Investments:**	40,23,761	40,23,761
		of which: Government securities	36,57,985	36,57,985
		of which: Other approved securities	-	-
		of which: Shares	6,970	6,970
		of which: Debentures & Bonds	1,50,662	1,50,662
		of which: Subsidiaries / Joint Ventures / Associates	-	-
		of which: Others (Commercial Papers, Mutual Funds etc.)	2,23,377	2,23,377
		Less: Provision for Dimunition	(15,233)	(15,233)
	iii.	**Loans and advances**	57,48,129	57,48,129
		of which: Loans and advances to banks	2,23,007	2,23,007
		of which: Loans and advances to customers	55,25,122	55,25,122
	iv.	**Fixed assets**	6,22,138	6,22,138
	v.	**Other assets**	8,86,939	8,86,939
		of which: Goodwill and intangible assets		
		of which: Deferred tax assets	-	-
	vi.	**Goodwill on consolidation**		
	vii.	**Debit balance in Profit & Loss account**	-	-
		Total Assets	**1,59,83,254**	**1,59,83,254**

3. Capital Adequacy:

Qualitative disclosures

Bank's approach to assessing the adequacy:

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 requirements and capital adequacy ratio as at 31st March 2019 are as follows:

(INR '000)

S. No.	PARTICULARS	AMOUNT*
A	Capital requirement for credit risk	
	- Portfolios subject to standardised approach & securitisation exposures	7,10,196
B	Capital requirement for market risk	
	Standardised duration approach	
	- Interest rate risk	39,583
	- Foreign exchange risk	49,594
	- Equity risk	3,09,784
C	Capital requirement for operational risk	
	-Basic indicator approach	1,17,756
D	Capital Adequacy ratio of the Bank (%)	48.84%
E	Tier I CRAR (%)	47.17%

*Capital requirement for Credit, Market & Operational Risk has been computed by multiplying 11.5% to risk weighted assets.

4. 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
- Liquidity Risk
- Interest Rate Risk in the Banking Book

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 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 2018-19 bank has non-performing assets, net off provision (Gross NPA less Provision), amounting to INR 5,06,695.00 thousand.

The Bank has adopted the Standardised Approach under Basel III for credit risk for Financial Year 2018-19.

(b) Total Gross credit risk exposures including Geographic Distribution of Exposure

(INR '000)

	Mar – 19	Mar – 19	Mar – 19
Particulars	**Domestic**	**Overseas**	**Total**
Fund Based	67,12,687	1,00,000	68,12,687
Non Fund Based	80,298	3,499	83,797
Total	**67,92,985**	**1,03,499**	**68,96,484**

(c) Residual maturity break down of Assets

(INR '000)

MATURITY BUCKETS	Cash balances with RBI and other Banks	Investment Securities	Loans and Advances	Other Assets including fixed assets
Next Day	8,671	28,37,350	25,808	1,12,324
2 TO 7 Days	10,966	-	60,218	1,11,052
8 TO 14 Days	7,084	-	17,205	1,10,928
15 to 28 days	2,735	-	29,675	75,759
29 days to 3 months	48,200	-	21,557	17,008
Over 3 months upto 6 months	37,701	2,50,907	36,797	1,40,280
over 6 months upto 12 months	86,637	5,50,852	4,58,060	-
Over 1 year to 3 years	94,746	3,33,154	26,51,296	-
Over 3 years to 5 years	3,464	44,528	7,83,073	-
Over 5 years	-	6,970	16,64,440	9,41,726
Total	**3,00,204**	**40,23,761**	**57,48,129**	**15,09,077**

(d) Movement of NPA's and Provision for NPA's

Gross NPAs in various categories (Sub-standard, doubtful, loss etc):

(INR '000)

		Mar – 19
A	Amount of NPA's (Gross)	1,493,059
B	Net NPA's	506,694
C	**NPA's ratios**	
	Gross NPAs to gross advances (%)	22.17
	Net NPAs to net advances (%)	8.81
D	Movement of Gross NPAs	
	Opening Balance as on 1st Apr	-
	Additions on amalgamation by conversion into WOS	893,128
	Additions	604,323
	Reductions	(4,392)
	Closing balance as on 31st Mar	1,493,059
E	Movement of Provision for NPAs	
	Opening Balance as on 1st Apr	-
	Additions on amalgamation by conversion into WOS	833,308
	Provision made during the year	174,109
	Write-off / write-back of excess provisions	(21,052)
	Closing balance as on 31st Mar	986,365

Credit Risk: Portfolios under the standardised approach:

Qualitative Disclosures:

- The Bank is using Credit Risk Assessment of ICRA, CRISIL, India Ratings and CARE for the purpose of arriving at risk weight age wherever available.
- Rating is accepted only if our exposure is included in the rating.

Quantitative Disclosures:

The exposure under each credit risk category is as follows:

(INR '000)

Risk Bucket	Amount
Below 100% Risk Weight	1,43,33,563
100% risk weight	40,28,792
More than 100% risk weight	2,90,662
Total	**1,86,53,017**

Credit Risk Mitigation: Disclosures for standardised approaches

Qualitative Disclosures:

It is the policy of the bank to request for paripassu charge on current assets/movable fixed assets/immovable assets for corporate credits, unless the business case warrants unsecured lending. Security is recognized only as a fallback option and repayment of facilities are primarily sought from the cash flow of the borrower's business. Collateral security is an important comfort to mitigate risk. Bank insists on proper valuation of collateral security wherever stipulated.

Quantitative Disclosures

The total value of eligible Cash collateral (Fixed Deposits held under Lien) for credit risk portfolio is INR 9,54,761.54 thousand.

Securitisation: disclosure for standardised approach

Qualitative and Quantities disclosures:

The bank had securitized NPA assets (Marg Ltd) through Pegasus Assets Reconstruction Pvt. Ltd. and subscribed to Security Receipts to the tune of INR 1,76,652 thousand issued by the Asset Reconstruction Company. Bank securitized the NPA asset of Arch Pharma and subscribed to the Security Receipt to the tune of INR 24,225 thousand issued by JM Asset Reconstruction Company Ltd. Bank securitized the NPA asset of Core Education and subscribed to the Security Receipt to the tune of INR 22,500 thousand issued by Rare ARC Pvt Ltd. Provision of INR 7,875 thousand is made for Rare ARC.

Market risks in the trading book

Qualitative disclosures

Market Risk

It is the risk of losses arising from changes in market rates or prices that can affect the value of financial instruments. In the Bank all Market Risk is centralized in the dealing room. Market Risk is tracked and measured on a dynamic basis by a dedicated Market Risk desk and periodic reports are circulated to senior management.

Market Risk Organization Structure at the Bank

Bank's Risk Management is centralized at its Corporate Office in Mumbai. The Risk Management Committee of the Board approves risk tolerance and appetite for market risk on the recommendation of the Management. It also monitors and reviews significant risks and effectiveness of processes and sets out management responsibilities.

Market Risk Limit Structure at the Bank

Market Risk limits represents strategic restrictions, reflecting the risk tolerance of the Bank, the nature of the trading activities and the perceived trading and management skills. The limit setting is to prevent the accumulation of Market Risk beyond the Bank's risk tolerance level, as determined by the Bank's top management, and to reflect mandates of individual trading units. Market Risk limits are set in a top-down process and organized in a certain hierarchy.

The Bank calculates the risk charge on market risk on the basis of standardized approach as prescribed by RBI. The portfolio contains foreign exchange and interest rate risk only. The interest rate general risk is computed on the basis of duration based approach.

The capital requirements for market risk are as follows:

(INR '000)

	Mar-19
Interest Rate Risk	39,583
Equity position risk	3,09,784
Foreign Exchange risk	49,594
Total	**3,98,961**

Operational Risk:

Qualitative disclosures: The approaches for operational risk capital assessment

The Bank's Operational Risk Management framework includes the identification, assessment, measurement and monitoring & oversight of operational risks within the Bank.
The Bank has a commitment to meeting high ethical and Operational Risk Management standards in the way it conducts its business. The governing principles and fundamental components of the Bank's operational risk management approach include accountability in the individual business lines for management and control of the significant operational risks to which they are exposed.

An effective organization structure through which operational risk is managed including:

- A Board of Directors responsible for sound corporate governance.
- Separation of duties between key functions.
- An independent risk function with the Head of the risk function reporting to the Board of Directors.
- An independent internal audit department responsible for verifying that significant risks are identified and assessed and for determining whether appropriate controls are in place to ensure that overall risks are at an acceptable level.
- Risk mitigation programs, which use insurance policies to transfer the risk of high severity losses e.g. cash, where feasible and appropriate
- Business Continuity Management (BCM) framework being implemented to mitigate the risks arising due to disruption of key business services for an extended period of time.

As permitted by RBI, the Bank presently follows the Basic Indicator Approach for assessing the capital requirement for computing capital charge for Operational Risk.

Liquidity Risk

Liquidity Risk is the risk that the Bank is not able to fulfil its actual and potential financial obligations, as and when they are due, without incurring unacceptable losses. The Different dimensions of liquidity risks are (i) Funding risk – need to replace net outflows due to unanticipated withdrawal/non-renewal of deposits (wholesale / retail) (ii) Time risk – need to compensate for non-receipt of expected inflows of funds, for example, performing assets turning into non-performing assets and (iii) Call Risk – due to crystallization of contingent liabilities and unable to undertake profitable business opportunities when desirable. The Bank has a liquidity risk management policy in place, which acts as the principal document for management of liquidity risk.

Liquidity Risk Organization Structure

The ultimate responsibility for the Liquidity Risk of the Bank lies with the Asset & Liability Committee (ALCO). ALCO meets monthly and monitors the funding and liquidity position of the Bank and provides structural guidance and oversight. The bank prepares and analyzes the structural liquidity statement reports as per RBI defined time buckets. The Bank has put in place liquidity mitigants such as call borrowings.

Interest rate risk in the banking book (IRRBB)

Qualitative Disclosures

Interest Rate Risk in the Banking Book

Interest Rate risk in Banking Book (IRRBB) refers to the risk of loss in earnings or economic value of the Bank's Banking Book as a consequence of movement in interest rates. Interest rate risk arises from holding assets/liabilities and Off-Balance Sheet [OBS] items with different principal amount, maturity dates or re-pricing dates thereby creating exposure to changes in levels of interest rates.

IRRBB Organization Structure

Asset and Liability Committee (ALCO) ensures compliance with regulatory and internal policies related to IRRBB and provides strategic direction, for achieving IRRBB management objectives. The ALCO focuses on building strong interest rate indicators, which positively contributes to optimizing the balance sheet structure and maximizes NII over time, while minimizing susceptibility to interest changes. The ALCO is convened regularly to review interest rate risk in the Bank's balance sheet and to assess the market condition.

Quantitative Disclosures

The impact of an incremental 200 basis points parallel fall or rise in all yield curves at the beginning of the year on net interest income for the next 12 months (EAR) amounts to INR 59,277 thousand.

5. Leverage Ratio:

(INR '000)

Leverage Ratio as on 31st March 2019		
Sr. No.	**Particulars**	**Amount**
	On-Balance Sheet Exposure	
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	**1,60,40,382.00**
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	-
3	**Total on-balance sheet exposures (excluding derivatives and SFTs)** (sum of lines 1 and 2)	**1,60,40,382.00**
	Derivative Exposure	
4	Replacement cost associated with all *derivatives* transactions (i.e. net of eligible cash variation margin)	-
5	Add-on amounts for PFE associated with *all* derivatives transactions	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8	(Exempted CCP leg of client-cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11	**Total derivative exposures (sum of lines 4 to 10)**	-
	Securities Financing Transaction Exposures	
12	Gross SFT *assets* (with no recognition of netting), after adjusting for sale accounting transactions	
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	CCR exposure for SFT assets	-
15	Agent transaction exposures	-
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**	-
	Other Off-Balance Sheet Exposure	
17	Off-balance sheet exposure at gross notional amount	**8,82,266.00**
18	(Adjustments for conversion to credit equivalent amounts)	**-1,06,475.00**
19	**Off-balance sheet items (sum of lines 17 and 18)**	**7,75,791.00**
	Capital and total Exposures	
20	**Tier 1 Capital**	**50,32,286.00**
21	**Total Exposures (sum of lines 3,11,16 and 19)**	**1,68,16,173.00**
	Leverage Ratio	
22	**Basel III Leverage Ratio (%)**	**29.93**

For SBM Bank (India) Ltd

Mr. Sidharth Rath
MD & CEO

Place: Mumbai
Date : Sept 20, 2019