SBM bank

TOGETHER

Excel. Lead. Innovate.

ANNUAL
REPORT
FY 2020


BANKING

CONTENTS

> It is literally true that you can succeed best and quickest by helping others to succeed.
>
> Napolean Hill

Welcome to SBM bank

WHO WE ARE

SBM Bank (India) Ltd. commenced operations on December 1, 2018. It was the first banking institution to have been granted license by the Reserve Bank of India to operate as a scheduled commercial Bank - offering universal banking services through the wholly-owned subsidiary route. SBM Bank India is a step-down subsidiary of SBM Holdings Ltd. (the erstwhile State Bank of Mauritius Ltd.), a listed entity in the Mauritius Stock Exchange, promoted by the Government of Mauritius. Armed with world-class deposit and asset products and the latest technology, the Bank seeks to cater to a holistic customer base comprising of retail customers, small businesses, NRIs, retail institutions, Indian corporates, financial institutions, public sector undertakings, multinational companies, and mid-market companies.

The Bank is led by Sidharth Rath, MD & CEO, and backed by an eminent Board.

Our vision

To shape a better tomorrow for you with technology-led efficient banking solutions

Product segments

Corporate, Retail and MSMEs

Team size

186

people

Presence

- 6 branch offices
- Headquartered in Mumbai

ABOUT SBM GROUP

SBM's journey started in 1973, with the primary goal of making financial services accessible to a larger share of the population, both urban and rural, in Mauritius. Over the years, fulfilling its purpose, SBM has grown into one of the leading Banks in the country.

Well-anchored in the financial services landscape, being among the top listed entities on the official market of the Stock Exchange of Mauritius with a market capitalisation of around MUR 20 billion as at December 2019, SBM Group has expanded its horizon by going beyond its local shares to establish footprints in other geographies, in pursuit of its vision to become a leading financial services provider in the region. Today, SBM is a universal banking group that is strategically present along the Asia-Africa corridor, particularly in India, Madagascar, Kenya and the Seychelles.

The Group is supported by an experienced and diversified workforce of 2,717 employees. SBM serves all customer segments with a comprehensive offering of financial solutions across geographies of presence, while facilitating cross-border trade and investment in the region. SBM aims to continuously create and enhance value for its stakeholders through sustainable growth.

The Group's efforts have been regularly recognised, both locally and internationally. In 2019, SBM held the 45th place among the Top 200 African Banks by the Africa Report and was ranked 946th among the Top 1000 World Banks by The Banker.

Key Operational Highlights (FY 2020)

Commenced our SBM Remit journey

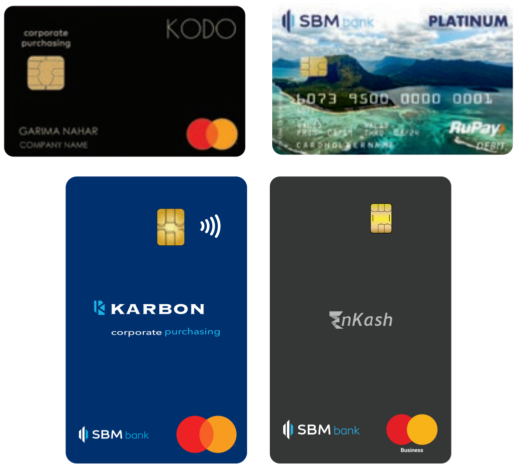
SBM remit

Unveiled our Private Banking and Wealth Management offering

SBM private wealth

Powerfully Exclusive

Launched debit and co-branded commercial credit cards



- Completed the first financial year in operation
- Hired 124 people
- Opened 2 new branches
- Launched new partnerships with fintechs

Key Financial Highlights (FY 2020)*

Operating Income
₹ 117 crore

Net Worth
₹ 557.13 crore

Profit/(Loss) After Tax
₹ 1.90 crore

Total Loan Assets
Under Management
₹ 1,266.25 crore

Total Assets
Under Management
₹ 2,501.43 crore

Total Deposits
₹ 1,830 crore

CASA
₹ 248.55 crore

Figures as on 31 March, 2020
*Since FY 2018-19 comprised of only 4 months, it is not comparable with FY 2019-20.

Ratios

32.44%
Capital Adequacy Ratio

2.90%
Net NPA

68.18%
Provision Coverage Ratio

247.93%
Liquidity Coverage Ratio

SBM Bank India: Rating reaffirmed
Summary of rating action

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Certificates of Deposit Programme	500.00	500.00	Reaffirmed on 26 May 2020
Total	**500.00**	**500.00**	

Message from MD & CEO

"The demand for nimbler, efficient, accessible banking solutions will regain momentum, thereby accelerating our growth"

Sidharth Rath
MD & CEO, SBM Bank India

Dear friends,

We started 25 years ago and we are one today!

Our genesis in India dates back to 1994 as a branch of State Bank of Mauritius – headquartered in Mauritius. The doors to global investments in India were opened just a couple of years ago. India became a story of incremental growth and in the process grew by 10 times in the past 25 years. The Indian GDP surged from US$ 327 billion in 1994 to US$ 3 trillion in 2019. This growth is credited to three key factors – internal consumption, demographic dividend, and rise of service economy. Having witnessed the growth from the front row seat, the time was right to assume a larger role in the banking ecosystem. In December 2018, SBM Bank India was awarded with the universal banking license by the Reserve Bank of India under wholly owned subsidiary mode – thereby embarking on a new journey of commitment, inclusive growth, and building a new Bank.

I had the pleasure to join and lead the efforts along with my team.

The past year and a half have been a journey of incremental growth – setting up the building blocks and discovering key differentiators. Our unique positioning and group synergies have empowered us to offer a wider and diverse range of solutions. The ability to create scalable, trustworthy, and credible product and delivery modes has enabled us to collaborate with and elevate the existing ecosystem. We believe that for a nation of a billion plus aspirations, banking will be the lifeblood to sustained progress. India has set sight on the $10 trillion-dollar economy in the next decade, and the opportunities are immense. However, the path to progress is full of Black Swans – one of which has shook the world recently.

In past four months, the world has awakened to a crisis of epic proportions.

What we are experiencing is perhaps unprecedented for our generation – and like time immemorial – we are learning to live, grow and improve in the new normal. As you read this, our colleagues at SBM Bank India are leading the nation's fight against COVID-19 – being on the frontlines and ensuring access to banking as an essential service to our customers and partners. I, on behalf of my SBM Bank family would like to thank them and all the COVID-19 warriors for their relentless commitment in keeping a nation functioning even amidst lockdown.

These are challenging times.

While the global economy was already exhibiting signs of an imminent slowdown in the last quarter of 2019-20, the pain was further accelerated with the impact of the pandemic unfolding March onwards. What followed is a disrupted global economic cycle. In other words, the new normal will be the way to go.

However, history says that tough times don't last forever.

At SBM Bank India, we believe every disruption offers an opportunity for innovation, envisioning possibilities, and pursuing excellence. Tough times are also ideal for reinventing business models – looking inwards to enhance efficiency, agility and strengthen value propositions. This crisis has led to decisive changes in the way we work, learn, connect, communicate, transact or even bank.

Banking as an experience, will need to evolve for a digital-first world.

Banks as a utility will need to make transactions simpler; delighting customers with user interface and experience. Banks have a major role to play in building efficient transaction infrastructure through use of technology and digital infrastructure, thereby leading to increased economic efficiency and lower cost. We, at SBM Bank India, are building our technology architecture accordingly, in collaboration with the fintechs and market integrators - to ensure that this benefit reaches customers across various segments.

Digital, in today's world, is a necessity for engagement and delivery.

As a Bank that believes in delivering solutions for a smarter tomorrow – we have invested into a functional and efficient digital infrastructure. This enables us to make banking a customised and secure experience. In the process, we are taking banking as a service from the physical confines of the Bank, to the platforms where it is needed, through a plug-and-play architecture. In doing so, we are empowering those who seek to enrich their customer experience through a world-class banking ecosystem.

Year 2019-20 was about building a robust foundation.

During the first full year of operations, the focus of the Bank were people, processes, products, and presence. At SBM Bank India, we are fast emerging as a melting pot of young and experienced professionals – handpicked from diverse institutions for multiple roles – with an intent to infuse a fresh perspective to the straight-jacketed world of banking. During the year, we strengthened the leadership teams. Being a Bank of global stature, ensuring efficient, seamless, and highly secure processes remained a priority. We also strategically enhanced our product offerings – ranging from transaction banking to trade finance, CASA, loans, remittances, and wealth management solutions. As we go about setting up this Bank; the intent is clear – we plan to make ours a robust liability and transaction banking led franchise, which is diversified and granular. As on 31 March 2020, our total Net Worth was Rs. 557.13 crore and Total Advances stood at Rs.1,266.25 crore.

We are positioned for growth.

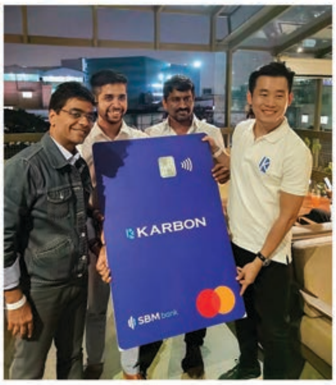
We are foraying into a new terrain in terms of global and national economic outlook. We are using this time to further strengthening our moats – thinking niche segments, customised products, and strategic expansion to tap newer geographies and synergies. We are confident that as the current environment improves, the growth engines of global economies will be set in motion. The demand for swift, efficient, accessible banking solutions will regain momentum, thereby accelerating our growth.

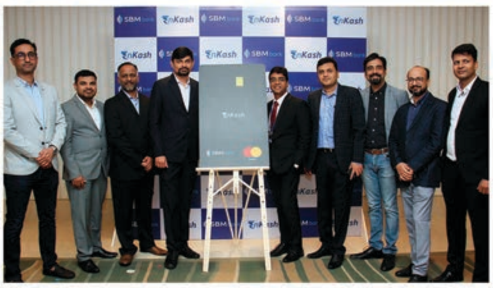
One thing is certain, whatever be the new normal of banking in the coming years, we would continue to adapt and lead the change, together. I leave you with this sense of optimism.

Sidharth Rath,

MD & CEO, SBM Bank India

Class of Collaborators 2020





Board of Directors

Mr. Sattar Hajee Abdoula

Non-Executive Director

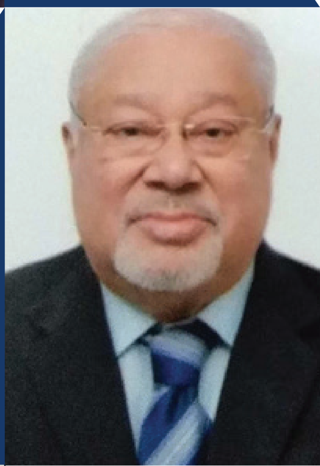
w.e.f. 9th July 2020

Mr. Andrew Bainbridge

Non-Executive Director

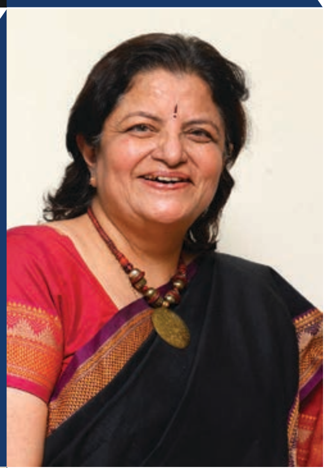
Mr. S.K. Bhattacharyya

Independent Director



Mrs. Sudha Ravi

Independent Director



Mr. Ameet N. Patel

Independent Director

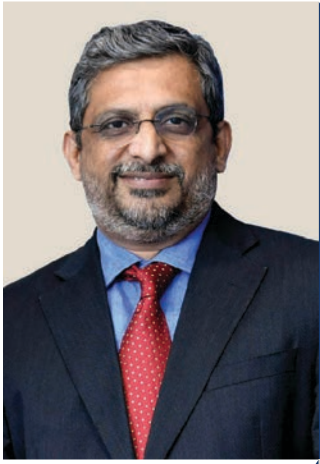
Mr. Shyam S. Barik

Independent Director

Mr. Sidharth Rath

MD & CEO

Leadership Profiles



Mr. Rajeev Panikath

Chief Operating Officer

Mr. Deepak Shimpi

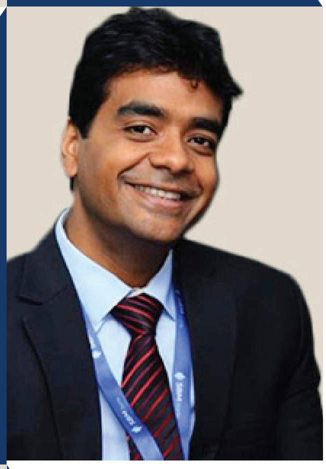
Chief Risk Officer

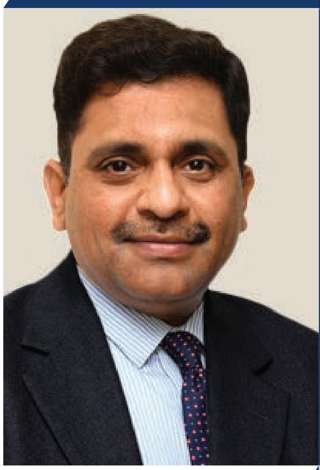
Mr. Dipak Agarwal

Head - Corporate Banking

Mr. Neeraj Sinha

Head - Consumer & Retail Banking





Mr. Mandar Pitale

Head - Treasury

Mr. Sailesh Shah

Chief Financial Officer

w.e.f. 1st July 2020

Mr. Sajitha Pillai

Head - Human Resources

TOGETHER WE

EXCEL.
LEAD.
INNOVATE.

TOGETHER!

Success is never a handiwork of one individual or one idea, but a convergence of multiple perspectives, motivations and efforts. Small wins may be achieved individually but when it comes to building a legacy or an institution, one has to go beyond own self, and partner, collaborate or cooperate. Being together, therefore, is not just a strategy but a time-tested recipe for lasting success.

Being a relatively new Bank operating within one of the most competitive industry segments in a country of 1.35 billion ambitions – we, at SBM Bank India, are growing together each day – be it with our employees, customers, vendors, collaborators or communities. By doing what we know best – making banking a more inclusive, accessible and seamless experience. It means crafting a 'made to order' proposition by understanding the needs of diverse customer segments; focusing on the key challenges they face; and capitalising on the opportunities unfolding in an omnipresent world.

Being together is also key when the world is reeling under an unprecedented pandemic. The future is uncertain and therefore malleable. For us, we have always believed in infusing a greater degree of agility, fluidity and unity, every day, to offer a more engaging and profitable banking experience to our customers. The terrain may seem uncharted but what's assuring is, we are in this together – to excel, to lead and to continuously innovate for a rewarding future.

Together we EXCEL!

The quest to achieve excellence is never ending, for it is not a destination. Excellence demands consistent determination and focus to ensure one's products, solutions and quality stays relevant in a dynamic world. To carve our niche, we focused on technology to make banking a truly anywhere, anytime experience. In a world that is increasingly shifting to digital interactions, the lines between banking and technology are becoming unintelligible. Technology when well-integrated, elevates the banking experience and at the same time, when just incorporated as a checkbox, muddles it completely. Driven by excellence, we opted for the former.

Being a digital first Bank catering to the new generation, we invested into latest and future-ready technology to strengthen key pillars - data management, security, customer service and transaction platforms. This involved a long process of testing, refining and installing a robust hardware, software, interface, and process design. We built a scalable and efficient API banking platform – through extending our scale and intellectual capital to fintechs seeking to test their offerings. At the same time, our digital infrastructure is built to further strengthen our physical branches – wherein banking can be completely detached from the platforms (including own and third-party) and seamlessly address customer needs – anywhere and anytime. This strategy is differentiated from a "own branch, own channel" outreach usually followed by Indian banking industry in general. This has not only enabled the Bank to increase its customers though minimal physical presence, but also lead the clients into the smarter age of banking.

We believe that incremental changes achieved in a sustained manner often have a bigger impact in achieving customer delight. Being a new Bank, affords us the opportunity to use latest technology to improve efficiencies and drive synergies. In 2019-20, we have introduced internet banking, one click-remit service, as well as a host of digital first solutions. We are on the verge of introducing our mobile banking services – and thereby will be achieving full circle presence comprising of banking on both physical and digital windows of all sizes.


SBM


Teller

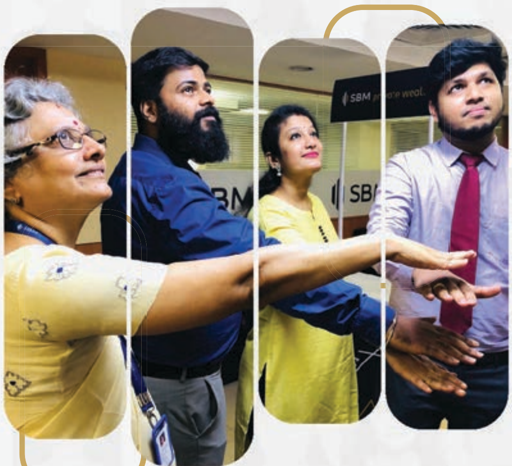
Together we LEAD!

Banking, despite its diverse delivery platforms, relies heavily on the intellectual capital and relationships. Being a regulated industry with largely homogenous products, the quality and commitment of people in the Bank often separates the good from the best in the industry. Ever since the inception of our Bank, we have meticulously invested in building, strengthening and nurturing our teams. Whenever faced with options – to opt for individual brilliance or group genius; we have opted for the latter, each time.

The process of making teams starts with the right leaders. Leadership is an evolution where the key ingredients meet the right nurturing, guidance and diversity. Being highly focused on talent development – we handpicked a mix of old and young, curious and the experienced, as well as strategic and tactical minds – from diverse industries. This melting pot of ideas is continuously refined through progressive policies such as open door, transparency, feedback, merit-based promotions, etc. Led by a core team comprising of well-known Indian bankers, the workplace offers a rich environment to learn, unlearn and relearn; while building a customer centric franchise. This culture of knowledge sharing has also led to higher bonding between the colleagues. SBM Bank has also ensured gender diversity and equal opportunity to be the key pillars in the workplace. More than 30% of the employees are women, with substantial numbers in the managerial positions – demonstrating our ability to walk the talk.

In 2019-20, we hired 124 people across our locations as well as leadership and mid management roles – 25% of which were from non-banking sectors including retail, logistics, corporates, etc. We devised an exhaustive training system to ensure our people stay ahead of the learning curve. On an average, each SBM Bank team member spent 5-6 hours per month on training and development. At the same time, the average age of the Bank's team members is 36 years. We also believe that a culture of rewarding employee initiatives improves motivation across teams. We also invited the families of our team members to celebrate the achievements of their near and dear ones. As one could say, those who create leaders, are the ones who lead.


SBM private



Together we INNOVATE!

Scalability in banking comes with time, trust, credibility, and above all - innovation. One can wait for the customers or can take banking solutions directly to the platforms where customers mostly need them. At SBM Bank, we chose the latter through collaborative banking. As a young Bank, we have the opportunity to build a future-ready structure that is efficient, flexible, and yet offers robust processes to protect the interest of the stakeholders.

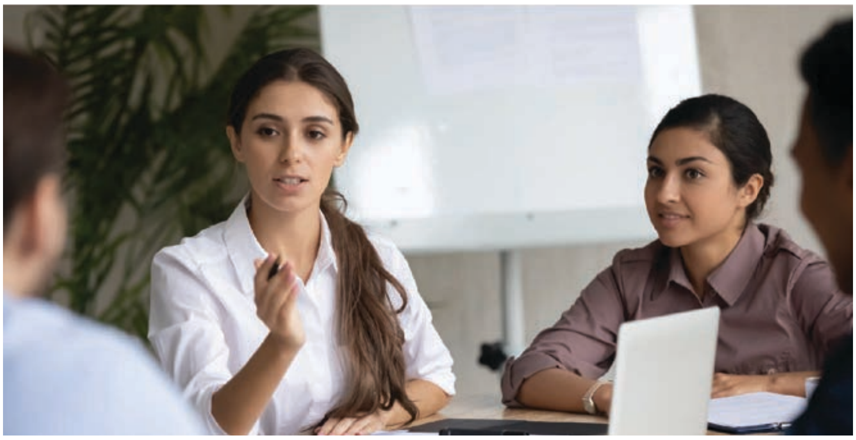
We focused on customer bases mostly left unaddressed by traditional banking channels, being served by smaller fintechs seeking to drive product innovation and financial inclusion. We took the best of banking solutions through a robust plug-and-play infrastructure to seamlessly integrate with our partner platforms, enabling us to expand our clientele and protect our asset quality. We collaborated with niche corporate card players, resulting in fee income as well as business access to fintechs and start-up segments. We opted for an approach which would enrich both retail and corporate verticals through a continues state of cross-sales, references, and intelligence sharing. At the same time, we opted for proactive awareness building for our global network offices – to capitalise upon the Indian diaspora and their linkages in India.

In 2019-20, we collaborated with PayNearby - transforming each of their partners into mini banks. We also partnered with Karbon and EnKash for corporate credit cards – further enabling us to make credit cards accessible to millions of start-ups, SMBs and MSMEs without compromising our asset quality. We launched SBM Remit, which was a window to our prospective corporate and retail customers into our ability to efficiently transfer their money to targeted markets. At the same time, we launched our private wealth division in March 2020 – which started generating good response from HNIs owing to the goodwill of our corporate banking division. Our collaborations in offering transaction banking, remittances, cash management, and payments solutions also enabled us to monetise our network as well as increase our customer base without risking the asset quality or increasing cost of customer acquisition. A win-win scenario indeed – for the partners as well as us.

CSR @ SBM Bank India

Empowering aspirations. Envisioning possibilities.

The main goal of any organisation is to create value for its stakeholders – comprising of its customers, employees, partners, vendors, shareholders, governments, etc. However, we believe it is equally essential to nurture, empower, and contribute towards the upliftment of the communities and society. One way of doing the same is adopting a cause and contributing to it; and the other way is aligning your business objectives and goals to the social well-being and empowerment of the communities and society. We have always preferred the latter, thereby building a business with the greater good leading our actions.



Being a banking organisation, we believe financial empowerment and inclusion leads to bigger impact. In doing so, we have focused on niche customer segments which are traditionally not lucrative for larger banks owing to their size. By empowering them financially, we not only enable the small businesses to grow; but more importantly, set an economic cycle in motion that leads to job creation, consumption, and growth of the supply ecosystem. We are partnering with several co-operative banks by using our technology to improve their offerings and affordability. At the same time, our plans to leverage technology to convert small stores into banking outlets is also bearing good traction on the ground. These efforts will lend to the empowerment of the small and micro enterprise with an additional source of revenue generation for them.

Our focus in the past year has also been in terms of setting up branches with a difference – self-sustained units run in places having no large banks in the vicinity. Towards this, we are in the process of opening one such branch in Wada, Palghar district. Being a responsible corporate citizen, we also continue to contribute to the causes of providing job opportunities to differently-abled individuals with an intent to empower them financially and make them self-reliant. In this regard, we will be associating with an NGO which provides skilled and reskilled manpower. Each of our branches are regularly sanitised and prepared to ensure a sterile environment.

In the wake of ongoing COVID-19 pandemic, we have especially focused on keeping the frontline warriors in our organisation safe and free of infection, in the line of duty. Each of our branches are been regularly sanitised and prepared to ensure a sterile environment.

Employees form important stakeholders and CSR begins at home. Hence, we have come up with various wellness programs and offers which are exclusive to our employees to keep them highly motivated and charged up.

At the same time, the Bank and its employees have all contributed to the PM Cares Fund – showing their dedication towards the nation in this hour of need – by not only standing collectively but also fighting together against the unknown enemy.

INDEPENDENT AUDITORS' REPORT

To,
The Members of SBM Bank (India) Limited
Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the accompanying standalone financial statements of SBM Bank (India) Limited ("the Bank"), which comprises the Balance Sheet as at 31 March 2020, the Profit and Loss Account and the Cash Flow Statement for the year then ended, and a summary of the 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 standalone financial statements give the information required by the section 29 of the Banking Regulation Act, 1949, as well as the Companies Act, 2013 ('Act') and circulars and guidelines issued by the Reserve Bank of India, in the manner so required for banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India, including the Accounting Standards prescribed under section 133 of the Act, read with rules made thereunder of the state of affairs of the Bank as at 31 March 2020, and its profit and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. 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 Companies Act, 2013 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 opinion.

Emphasis of Matter

We draw attention to Note 37 of Scheduled 17B which describes the business uncertainties due to the outbreak of SARS-CoV-2 virus (COVID-19). In view of these uncertainties, the impact on the Bank's results for subsequent period is significantly dependent on future developments.

Our opinion is not modified in respect of this matter.

Information Other Than Financial Statements and Auditors' Report Thereon

The Bank's Board of Directors is responsible for the preparation of Other Information, which comprises the Directors' Report and its Annexures but does not include the Standalone Financial Statements and our auditor's report thereon and the Pillar III Disclosures under the New Capital Adequacy Framework (Basel III disclosures).

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 the Other Information is materially inconsistent with the Standalone Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Bank's Management and Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ('the Act') with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cashflows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act and provisions of Section 29 of the Banking Regulation Act, 1949 and circulars and guidelines issued by the 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 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 Bank's Management is also responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the audit of the Standalone 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 scepticism 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 suffcient 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 Companies Act, 2013, 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 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.

Other Matters

The financial statement of the Bank for the year ended March 31, 2019 were audited by the predecessor audit firm, who has expressed an unmodified opinion dated September 20th, 2019 on such financial statements.

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 provision of Section 29 of the Banking Regulation Act, 1949 read with Section 133 of the Act and Rules made thereunder.
2. As required by 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.
   c. The financial system of the Bank are centralised and therefore, accounting returns for the purpose of preparing financial statements are not required to be submitted by branches.
3. In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of Section 197 and Schedule V of the Companies Act, 2013 read with Section 35B (2A) of the Banking Regulation Act, 1949.
4. Further, 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 purpose of our audit;
   b. In our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books and proper returns adequate for the purpose of our audit have been received from the branches not visited by us;
   c. The Balance Sheet, and the Statement of Profit and Loss, dealt with by this report are in agreement with the books of account;
   d. In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act and Rules made thereunder, to the extent they are not inconsistent with the accounting policies prescribed by RBI;
   e. On the basis of written representation received from the directors as on March 31, 2020 and taken on record by the Board of Directors, none of the directors are disqualified as on March 31, 2020 from being appointed as director in terms of Section 164 (2) of the Companies Act 2013;
   f. With respect to the adequacy of the internal financial controls with reference to financial statements of the Bank and the operating effectiveness of such controls, refer to our separate Report in "Annexure A";
   g. 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, 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 to the extent determinable/ascertainable. – Refer Schedule 12.1 and Note 23 of Schedule 17.B to the standalone 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 standalone financial statements.

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

For **M P Chitale & Co.**
Chartered Accountants
ICAI FRN 101851W

Ashutosh Pednekar
Partner
ICAI M. No. 041037
UDIN: 20041037AAAABP7539

Place: Mumbai
Date: June 29, 2020

SBM bank

SBM BANK (INDIA) LIMITED

Annexure A to the Independent Auditor's Report of even date on the financial statements of SBM Bank (India)Limited

Report on the Internal Financial Controls with reference to financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

We have audited the internal financial controls with reference to financial statements of SBM Bank (India) Limited ('the Bank') as at March 31, 2020 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 ('the Guidance Note') issued by the Institute of Chartered Accountants of India ('the ICAI'). 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 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 ('the Act').

Auditor's Responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls with reference to 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 ('the Standards'), issued by the ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls over financial reporting, both issued by the ICAI. 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 with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to 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 suffcient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls system with reference to financial statements.

Meaning of Internal Financial Controls with reference to Financial Statements

A Bank's internal financial control with reference to 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. Bank's internal financial control with reference to 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 Bank;
(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 Bank are being made only in accordance with authorisations of management and directors of the Bank; and
(3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Bank's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls with reference to Financial Statements

Because of the inherent limitations of internal financial controls with reference to 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 with reference to financial statements to future periods are subject to the risk that the internal financial control with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion the bank has maintained, in all respects, an adequate internal financial control system with reference to financial statements and such internal financial controls with reference to the financial statements were operating effectively as at March 31, 2020, based on internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in Guidance Note of Internal Control Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **M P Chitale & Co.**
Chartered Accountants
ICAI FRN 101851W

Ashutosh Pednekar
Partner
ICAI M. No. 041037
UDIN: 20041037AAAABP7539

Place: Mumbai
Date: June 29, 2020

SBM bank

BALANCE SHEET
AS AT 31st MAR 2020

Balance Sheet	Schedule	As at 31 Mar 2020 (Amount in Rs. '000)	As at 31 Mar 2019 (Amount in Rs. '000)
CAPITAL AND LIABILITIES			
Capital	1	7,569,584	7,049,584
Reserves & Surplus	2	(1,759,408)	(1,771,705)
Deposits	3	18,300,372	9,841,174
Borrowings	4	150,000	-
Other Liabilities and Provisions	5	753,734	864,201
TOTAL		**25,014,282**	**15,983,254**
ASSETS			
Cash and Balances with Reserve Bank of India	6	776,735	300,204
Balances with Banks and money at call and short notice	7	4,346,867	4,402,083
Investments	8	5,678,006	4,023,761
Advances	9	12,662,501	5,748,129
Fixed Assets	10	615,017	622,138
Other Assets	11	935,156	886,939
TOTAL		**25,014,282**	**15,983,254**
Contingent Liabilities	12	22,388,896	9,969,649
Bills for Collection		2,213,829	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.

PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31st MAR 2020

Profit & Loss Account	Schedule	For the year ended 31 Mar 2020 (Amount in Rs. '000)	For the year ended 31 Mar 2019 (Amount in Rs. '000)
I. INCOME			
Interest earned	13	1,267,044	324,093
Other Income	14	683,364	35,792
TOTAL		**1,950,408**	**359,885**
II. EXPENDITURE			
Interest expended	15	785,184	191,423
Operating Expenses	16	878,311	598,807
Provisions and Contingencies	17B - (27)	267,877	39,456
TOTAL		**1,931,372**	**829,686**
III. PROFIT/LOSS			
Net profit/(loss) for the year		19,036	(469,801)
Profit/(loss) brought forward from the previous year		(2,755,330)	(20,888)
Profit/(loss) brought forward on amalgamation by conversion into WOS		-	(2,264,641)
TOTAL		**(2,736,294)**	**(2,755,330)**
IV. APPROPRIATIONS			
Transfer to Statutory Reserves		4,759	-
Transfer to Capital Reserve		7,854	-
Transfer to Investment Fluctuation Reserve		6,423	-
Profit remitted to Head Office		-	-
Balance carried over to Balance Sheet		(2,755,330)	(2,755,330)
TOTAL		**(2,736,294)**	**(2,755,330)**
V. BASIC AND DILUTED EARNING PER SHARE (INR)	**17B - (36)**	**0.03**	**(2.15)**

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

For M.P. Chitale & Co.
Chartered Accountants
ICAI Firm Registration No. 101851W

For SBM Bank (India) Ltd.

Sd/-
Mr. Ashutosh Pednekar
Partner
ICAI Membership No. 041037

Sd/-
Mr. Sidharth Rath
Managing Director & Chief Executive Officer

Sd/-
Mr. Ameet Patel
Independent Director

Place: Mumbai
Date: 29 Jun, 2020

Mr. Talib Lokhandwala
Chief Financial Officer

Mrs. Mugdha Merchant
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MAR 2020

	Particulars	Year Ended 31 Mar 2020 (Amount in Rs.'000)	Year Ended 31 Mar 2019 (Amount in Rs.'000)
A	**Cash From Operating Activities**	19,036	(469,801)
	Net Profit after Taxes		
	Adjustments to profit/(loss) from operations		
	Loss/(profit) from sale of Fixed Assets	(203)	-
	Depreciation on Fixed Assets	120,198	30,001
	Specific Provision for NPA	(198,413)	153,057
	Depreciation on Investment	29,638	(1,872)
	Direct Taxes	-	-
	Other Provisions - Deferred Tax	-	9,341,
	Non-performing Advances written off	448,597	-
	Non-performing Investments written off	-	-
	Provision for Standard Advances	(11,783)	(119,631)
	Provision for country exposure	(162)	(1,439)
	Provision for Diminution in fair value of restructured accounts	-	-
	Provision for Interest capitalised on restructured accounts	-	-
	Subtotal	**406,908**	**(400,344)**
	Changes in working capital		
	(Increase)/Decrease in Investments	(1,683,883)	(732,679)
	(Increase)/Decrease in Advances	(7,164,556)	1,674,514
	(Increase)/Decrease in Other Assets	(48,217)	500,994
	(Increase)/Decrease in Deposits	8,459,198	2,681,592
	(Increase)/Decrease in Borrowings	150,000	(3,381,090)
	(Increase)/Decrease in Other Liabilities	(98,522)	5,843
	Net Cash from Operating Activities before Income Tax	**20,928**	**348,830**
	Advance Income Tax paid	-	-
	Refund received from Income Tax	-	-
	Net Cash from Operating Activities after Income Tax	**20,928**	**348,830**
B	**Cash Flow from Investing Activities**		
	Purchase of Fixed Assets	(119,816)	(66,060)
	Proceeds from sale of Fixed Assets	203	-
	Net Cash used in Investing Activities	**(119,613)**	**66,060**
C	**Cash Flow from Financing Activities**		
	Additional capital infused	520,000	480,000
	Net Cash from Financing Activities	**520,000**	**480,000**
D	**Cash and Cash Equivalent at the beginning 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 Banks and Money at Call and Short Notice	4,402,083	-
		4,702,287	**-**
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**	24,784	2,252
	I. Cash in hand (including foreign currency notes and gold)	751,951	297,952
	II. Balances with Reserve Bank of India	4,346,867	4,402,083
	III. Balances with Banks and Money at Call and Short Notice	**5,123,602**	**4,702,287**
	A. Cash Flow from Operating Activities	20,928	348,830
	B. Cash Flow used in Investing Activities	(119,613)	(66,060)
	C. Cash Flow from Financing Activities	520,000	480,000
	Net Increase/(Decrease) in Cash & Cash Equivalents (A+B+C)	**421,315**	**762,770**
	D. Cash and Cash Equivalent at the beginning of the year	**4,702,287**	**-**
	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)	**5,123,602**	**4,702,287**

Notes on Cash Flow Statement

Cash Flow Statement is prepared under Indirect Method as set out in Accounting Standard 3 - Cash Flow Statements, specified under Section 133 of Companies Act, 2013

As per our attached Report of even date.

For M.P. Chitale & Co.
Chartered Accountants
ICAI Firm Registration No. 101851W

For SBM Bank (India) Ltd.

Sd/-
Mr. Ashutosh Pednekar
Partner
ICAI Membership No. 041037

Sd/-
Mr. Sidharth Rath
Managing Director & Chief Executive Officer

Sd/-
Mr. Ameet Patel
Independent Director

Place: Mumbai
Date: 29 Jun, 2020

Mr. Talib Lokhandwala
Chief Financial Officer

Mrs. Mugdha Merchant
Company Secretary

SBM bank

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31 March 2020 (Amount in Rs.'000)	As at 31 March 2019 (Amount in Rs.'000)
SCHEDULE 1 : CAPITAL		
Authorised Capital :		
1,000,000,000 equity shares of Rs. 10 each (P.Y. 1,000,000,000)	10,000,000	10,000,000
Issued, subscribed and paid-up capital :		
756,958,418 equity shares of Rs. 10 each (P.Y. 704,958,418)	7,569,584	7,049,584
	7,569,584	7,049,584
Total	**7,569,584**	**7,049,584**
SCHEDULE 2 : RESERVES AND SURPLUS		
I. Statutory Reserve		
Opening Balance	359,880	–
Additions on amalgamation by conversion into WOS	–	359,880
Additions during the year	4,759	–
Deductions during the year	–	–
Subtotal	**364,639**	**359,880**
II. Capital Reserve		
Opening Balance	58,054	–
Additions on amalgamation by conversion into WOS	–	58,054
Additions during the year	7,854	–
Deductions during the year	–	–
Subtotal	**65,908**	**58,054**
III. Retained Earnings		
Opening Balance	320,098	–
Additions on amalgamation by conversion into WOS	–	320,098
Additions during the year	–	–
Deductions during the year	–	–
Subtotal	**320,098**	**320,098**
IV. Investment Fluctuation Reserve		
Opening Balance	–	–
Additions on amalgamation by conversion into WOS	–	–
Additions during the year	6,423	–
Deductions during the year	–	–
Subtotal	**6,423**	–
V. Revaluation Reserve		
Opening Balance	245,593	–
Additions on amalgamation by conversion into WOS	–	146,431
Additions during the year	–	100,733
Deductions during the year	6,739	1,571
Subtotal	**238,854**	**245,593**
VI. Balance in Profit and Loss Account	**(2,755,330)**	**(2,755,330)**
Total (I+II+III+IV+V+VI)	**(1,759,408)**	**(1,771,705)**

	As at 31 March 2020 (Amount in Rs.'000)	As at 31 March 2019 (Amount in Rs.'000)
SCHEDULE 3 : DEPOSITS		
A.I. Demand Deposits		
(i) From Banks	13,121	193,627
(ii) From Others	1,528,034	665,204
A.II. Savings Bank Deposits	944,322	493,413
A.III. Term Deposits		
(i) From Banks	266,511	11,112
(ii) From Others	15,548,384	8,477,818
Total	**18,300,372**	**9,841,174**
B.I. Deposits of branches in India	18,300,372	9,841,174
B.II. Deposits of branches outside India	–	–
Total	18,300,372	9,841,174
SCHEDULE 4 : BORROWINGS		
I. Borrowings in India		
i) Reserve Bank of India	150,000	–
ii) Other Banks	–	–
iii) Other Institutions and Agencies	–	–
Subtotal	**150,000**	–
II. Borrowings outside India	–	–
Total (I + II)	150,000	–
Secured Borrowings included in I & II above	150,000	–
SCHEDULE 5 : OTHER LIABILITIES AND PROVISIONS		
I. Bills Payable	9,868	9,142
II Interest Accrued	100,863	6,708
III. Deferred Tax Liability (Net)	–	–
IV. Provision for standard advances (Refer Note 14 - Schedule 17.B)	55,621	67,405
V. Others (including Provisions)	587,382	780,946
Total	**753,734**	**864,201**
SCHEDULE 6 : CASH AND BALANCES WITH RBI		
I. Cash in Hand (including Foreign Currency Notes - NIL)	24,784	2,252
II. Balances with Reserve Bank of India		
in Current Account	751,951	297,952
in Other Accounts	–	–
Total	**776,735**	**300,204**
SCHEDULE 7 : BALANCES WITH BANKS & MONEY AT CALL & SHORT NOTICE		
I. In India		
i) Balances with banks in		
(a) Current Accounts	83,398	3,817
(b) Other Deposit Accounts	–	–
ii) Money at call and short notice		
(a) with Banks	4,160,000	3,491,550
(b) with Other Institutions	–	622,395
Subtotal	**4,243,398**	**4,117,762**
II. Outside India		
i) in Current Accounts	103,469	284,321
ii) in Other Deposit Accounts	–	–
iii) in Money at Call and Short Notice	–	–
Subtotal	**103,469**	**284,321**
Total (I & II)	**4,346,867**	**4,402,083**

SBM bank

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31 March 2020 (Amount in Rs.'000)	As at 31 March 2019 (Amount in Rs.'000)
SCHEDULE 8 : INVESTMENTS		
I. Investments in India in		
i) Government Securities	5,342,571	3,657,985
ii) Other Approved Securities	–	–
iii) Shares	6,970	6,970
iv) Debentures and Bonds	149,959	150,662
v) Subsidiaries and/ or Joint Venture	–	–
vi) Others	223,377	223,377
Subtotal	**5,722,877**	**4,038,994**
Less: Provision for Diminution	44,871	15,233
Subtotal	**5,678,006**	**4,023,761**
II. Investments outside India	–	–
Total (I & II)	**5,678,006**	**4,023,761**
SCHEDULE 9 : ADVANCES		
A i) Bills Purchased and Discounted	226,441	35,647
ii) Cash Credits, Overdrafts and Loans repayable on Demand	2,373,010	1,295,045
iii) Term loans	10,063,050	4,417,437
Total	**12,662,501**	**5,748,129**
B i) Secured by Tangible Assets (includes advances against Book debts)	12,317,770	5,360,834
ii) Covered by Bank/ Government Guarantees (includes advance against standby letter of credit)	98,768	159,550
iii) Unsecured	245,963	227,745
Total	**12,662,501**	**5,748,129**
C. I Advances in India		
i) Priority Sectors	1,744,015	443,790
ii) Public Sector	–	–
iii) Banks	37,833	223,007
iv) Others	10,880,653	5,081,332
Total	12,662,501	5,748,129
II Advances outside India	–	–
Total (CI & CII)	**12,662,501**	**5,748,129**

	As at 31 March 2020 (Amount in Rs.'000)	As at 31 March 2019 (Amount in Rs.'000)
SCHEDULE 10 : FIXED ASSETS		
I. Premises		
At Cost at beginning of year	490,739	–
Additions on amalgamation by conversion into WOS	–	390,006
Additions during the year	–	100,733
Deductions during the year	–	–
Depreciation to date	135,539	125,559
Subtotal	**355,200**	**365,180**
II. Other Fixed Assets (including Furniture & Fixtures)		
At Cost at beginning of year	370,226	–
Additions on amalgamation by conversion into WOS	–	345,190
Additions during the year	136,257	25,036
Deductions during the year	2,402	–
Depreciation to date	282,989	168,434
Subtotal	**221,092**	**201,792**
III. Capital Work in Progress	38,725	55,166
Total (I, II & III)	**615,017**	**622,138**
SCHEDULE 11 : OTHER ASSETS		
I. Inter-office Adjustment (Net)	–	–
II. Interest Accrued	117,792	44,881
III. Tax paid in Advance/ Tax Deducted at Sources (Net of Provisions)	116,363	111,215
IV. Deferred Tax Assets (Net)	–	–
V. Stationery and Stamps	9	13
VI. Others	700,992	730,830
Total	**935,156**	**886,939**
SCHEDULE 12 : CONTINGENT LIABILITIES		
I. Claims against the Bank not acknowledged as Debts	92,051	81,818
II. Liability for Partly Paid Investments	–	–
III. Liability on account of outstanding Forward Exchange Contracts & Derivatives	14,512,891	6,931,710
IV. Guarantees given on behalf of Constituents		
a) In India	1,706,476	174,338
b) Outside India	788,379	4,356
V. Acceptances, Endorsements and Other Obligation	761,605	7,332
VI. Other items for which the Bank is Contingently Liable	4,527,494	2,770,095
Total	**22,388,896**	**9,969,649**

SBM bank

SCHEDULES FORMING PART OF THE BALANCE SHEET

	Year Ended 31 March 2020 (Amount in Rs.'000)	Year Ended 31 March 2019 (Amount in Rs.'000)
SCHEDULE 13 : INTEREST EARNED		
I. Interest / Discount on Advances/Bills	781,763	188,731
II. Income on Investments	315,767	91,582
III. Interest on Balances with RBI and Other Interbank Funds	127,277	32,528
IV. Others*	42,237	11,252
Total	**1,267,044**	**324,093**
*includes Swap Gain on Funding Swaps		
SCHEDULE 14 : OTHER INCOME		
I. Commission, Exchange and Brokerage	154,946	3,407
II. Profit/(loss) on sale of Investments	30,688	8,821
III. Profit/(loss) on Revaluation of Investments	–	–
IV. Profit/(loss) on sale of Land Building & Other Assets	203	–
V. Profit on Exchange Transactions	33,397	16,300
VI. Income earned by way of Dividends etc. from Companies and/or Joint Ventures in India & Aboard	–	–
VII. Profit/(loss) on Derivative Trade	–	–
VIII. Miscellaneous Income	464,130	7,264
Total	**683,364**	**35,792**

	Year Ended 31 March 2020 (Amount in Rs.'000)	Year Ended 31 March 2019 (Amount in Rs.'000)
SCHEDULE 15 : INTEREST EXPENDED		
I. Interest on Deposits	638,876	157,933
II. Interest on Reserve Bank of India/Interbank Borrowings	2,319	20,838
III. Others*	143,989	12,652
Total	**785,184**	**191,423**
*includes Swap Cost on Funding Swaps		
SCHEDULE 16 : OPERATING EXPENSES		
I. Payments to and Provision for Employees	393,970	85,108
II. Exchange Commission and Brokerage	–	–
III. Rent, Taxes and Lighting	57,709	14,022
IV. Printing and Stationery	2,680	568
V. Advertisement and Publicity	15,404	6,125
VI. Depreciation on Bank's Property	120,198	30,001
VII. Auditors' Fee	1,635	5,141
VIII. Law charges (incl. Professional Fees)	88,490	19,007
IX. Postages, Telegrams, Telephones, etc.	12,775	957
X. Repairs and Maintenance	5,425	1,070
XI. Insurance	17,538	4,807
XII. Other Expenditure	162,487	432,001
Total	**878,311**	**598,807**

SCHEDULE FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

SCHEDULE 17.A – SIGNIFICANT ACCOUNTING POLICIES

a) Background

The financial statements for the year ended comprise the accounts of the SBM Bank (India) Limited, ('the Bank') which is incorporated in the India and is a wholly owned subsidiary of SBM (Bank) Holdings Limited, Mauritius ('the Parent'). The Bank 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, 2020 are located at Mumbai, Chennai, Hyderabad, Ramachandrapuram, Delhi and Bengaluru.

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.

SCHEDULE FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

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

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 unrealised gain or loss is recognised 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 recognised as interest income/expense and is amortised 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 amortised 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. Limited (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.

SCHEDULE FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

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.

Investment Fluctuation Reserve

In accordance with the RBI Circular DBR.No.BP.BC.102/21.04.048/2017-18, an Investment Fluctuation Reserve was created to protect against systemic impact of sharp increase in the yields on Government Securities. As required by the aforesaid circular, the transfer to this reserve shall be lower of the following – i) net profit on sale of investments during the year; ii) net profit for the year less mandatory appropriations, until the amount of the reserve is at least 2 percent of the HFT and AFS portfolio, on a continuing basis.

Transfer of Securities between Classifications

Reclassification of investments from one category 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.

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 recognised 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 recognised as expenses in Profit and Loss account.

h) Fixed Assets

Office Premises is stated at revalued amount less accumulated depreciation/amortisation and all other Fixed Assets are stated at cost less accumulated depreciation/amortisation. Capital work-in-progress comprises cost of fixed assets that are not yet ready for their intended use as at the reporting date.

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

An asset is considered as impaired when at the balance sheet date, there are indications that the assets may be impaired and the carrying amount of the asset, or where applicable, the cash generating unit to which the asset belongs, exceeds its recoverable amount (i.e. the higher of the asset's net selling price and value-in-use). The Bank assesses at each balance sheet date whether there is any indication that an asset may be impaired based on internal/external factors. If such recoverable amount of the asset is less than the carrying amount, the carrying amount is reduced to the recoverable amount and the impairment loss is recognised as an expense in the Profit and Loss Account.

SCHEDULE FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

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 and 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 encashable 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 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 predetermined rate. Contribution to provident fund are recognised 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

Taxes on income are accounted for in accordance with Accounting Standard (AS 22) on "Accounting for Taxes on Income" and comprise current and deferred tax. Current tax is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the applicable tax rates and laws in respect of taxable income for the year, in accordance with the Income Tax Act, 1961.

Deferred tax is recognised in respect of timing differences between taxable income and accounting income i.e. difference that originate in one period and are capable of reversal in one or more subsequent periods. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets arising on account of carry forward losses and unabsorbed depreciation under tax laws are recognised only if there is virtual certainty of its realisation, supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets on account of other timing differences are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are reviewed as at each balance sheet date and written down or written up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

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 recognised 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 recognised as an expense in the statement of Profit and Loss account on a straight-line basis over the lease term.

SCHEDULE FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

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 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 recognised 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. The floating provisions can be used only for contingencies under extraordinary circumstances for making specific provisions in impaired accounts after obtaining board's approval and with prior permission of RBI. The Bank has utilised up to 33 percent and 50 percent of countercyclical provisioning buffer/floating provisions held as on March 31, 2013 and December 31, 2014 respectively, in accordance with RBI Notification dated March 30, 2015. These provisions are considered as part of NPA provisions for the purpose of compliance with the minimum RBI provisioning requirement.

p) Cash Flow Statement

Cash Flow Statement is prepared using the indirect method set out in Accounting Standard 3 on "Cash Flow Statements" and presents the cash flows by operating, investing and financing activities of the Bank. Cash and Cash Equivalents, consist of Cash and Balances with Reserve Bank of India and Balances with Banks and Money at Call and Short Notice (including effect of changes in exchange rates on cash and cash equivalents in foreign currency).

q) 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.

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.

(Rs. in thousand)

Sr. No.	CRAR ratio as per Basel III	March 31, 2020	March 31, 2019
i)	CRAR – Common Equity Tier I	31.48%	47.17%
ii)	CRAR – Tier I Capital	31.48%	47.17%
iii)	CRAR – Tier II Capital	0.96%	1.67%
iv)	Total Capital Ratio (CRAR) (%)	32.44%	48.84%
v)	Percentage of the shareholding of the Government of India in public sector banks	–	–
vi)	Amount of equity capital raised	520,000	7,049,584
vii)	Amount of Additional Tier 1 capital raised; 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)]	–	–

SCHEDULE FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

2. Investments

(Rs. in thousand)

Particulars	March 31, 2020	March 31, 2019
1. Value of Investments:		
(i) Gross Value of Investments		
a. In India	5,722,877	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	44,871	15,233
b. Outside India	–	–
(iii) Net Value of Investments		
a. In India	5,678,006	4,023,761
b. Outside India	–	–
2. Movement of provision held towards depreciation on investments:		
(i) Opening balance	15,233	–
(ii) Add: Additions on amalgamation by conversion into WOS	–	17,105
(iii) Add: Provision made during the year	29,638	–
(iv) Less: Write-off/ write-back of excess provision during the year (including depreciation utilised on sale of securities)	–	1,872
(v) Closing balance	44,871	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 thousand)

Category	As at March 31, 2020		As at March 31, 2019	
	Rs. in thousand	%	Rs. in thousand	%
Held to Maturity	2,395,770	42.19	1,292,718	32.13
Held for Trading	103,830	1.83	–	–
Available for Sale	3,178,406	55.98	2,731,043	67.87
Total	**5,678,006**	**100.00**	**4,023,761**	**100.00**

3. Repurchase & Reverse Repurchase Agreement Transactions

(Rs. in thousand)

FY 2019-20	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Balance as at March 31, 2020
Securities sold under Repurchase Transactions *				
(i) Government Securities	30,000#	150,000	12,486	150,000
(ii) Corporate Debt Securities	–	–	–	–
Securities purchased under Reverse Repurchase Transactions *				
(i) Government Securities	139,922#	4,530,000	2,138,696	4,160,000
(ii) Corporate Debt Securities	–	–	–	–

* consist of RBI LAF disclosed at face value.

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

(Rs. in thousand)

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.

SCHEDULE FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

4 Non-SLR Investments Portfolio - Issuer Composition of Non-SLR Investments

Balances as at March 31, 2020

(Rs. in thousand)

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	149,959	–	–	–	–
3.	Banks	–	–	–	–	–
4.	Private Corporates	–	–	–	–	–
5.	Subsidiaries/ Joint Ventures	–	–	–	–	–
6.	Others*	230,347	–	–	223,377	–
7.	Provision held towards Depreciation	(44,871)	–	–	–	–
	Total	**335,435**	**–**	**–**	**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.

Balances as at March 31, 2019

(Rs. in thousand)

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	–	–	–	–	–
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 thousand)

Particulars	March 31, 2020	March 31, 2019
Opening Balance	6,970	–
Additions on amalgamation by conversion into WOS		6,970
Additions during the year since 1 April	–	–
Reductions on account of write-off during the year	–	–
Closing balance	6,970	6,970
Total Provision held	**6,970**	**6,970**

6. Sale and Transfers to/ from HTM Category

During the FY 2019-2020, the Bank has not sold/transferred from HTM book to AFS book/HFT book in excess of 5% of book value of investments held at the beginning of the year under HTM category, excluding one-time transfer at the beginning of the year and sale under OMO. Bank has transferred from AFS Book to HTM Book to the extent of Face Value of INR 200,000 thousand during the year (PY: NIL).

SCHEDULE FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

7. Forward Rate Agreement/Interest Rate Swap

(Rs. in thousand)

Particulars	March 31, 2020	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]	–	–

8. Exchange Traded Interest Rate Derivatives

(Rs. in thousand)

Sr. No.	Particulars	March 31, 2020	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 departments 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:

i. 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.

ii. Risk Reporting and Risk monitoring systems:

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

- VAR
- Net Open Position
- Aggregate Gap Limit (AGL)/Individual Gap Limit (IGL)
- Stop loss limits

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

- Market Risk Policy
- Investment Policy
- Asset-Liability Management (ALM) policy

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.

SCHEDULE FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

b) Quantitative Disclosures

(Rs. in thousand)

Sr. No.	Particulars	Currency Derivatives March 31, 2020	Interest Rate Derivatives March 31, 2020	Currency Derivatives March 31, 2019	Interest Rate Derivatives March 31, 2019
1.	Derivatives notional Principal Amount	10,282,422	–	2,497,316	–
	(a) For hedging	7,215,225	–	1,436,479	–
	(b) For trading	3,067,197	–	1,060,837	–
2.	Marked to Market position				
	(a) Asset (+)	252,816	–	17,881	–
	(b) Liability (-)	63,400	–	26,353	–
3.	Credit Exposure	236,884	–	67,827	–
4.	Likely impact of one percentage change in Interest Rate (100*PV01)				
	(a) On hedging derivatives	32,498	–	(11,929)	–
	(b) On trading derivatives	363	–	(14,428)	–
5.	Maximum and Minimum of 100*PV01 observed during the year				
	(a) On hedging				
	Maximum	920	–	–	–
	Minimum	1	–	(11,929)	–
	(b) On trading				
	Maximum	34,460	–	18,067	–
	Minimum	10,922	–	(32,495)	–

10. Non-Performing Assets (NPAs)

(Rs. in thousand)

Particulars	March 31, 2020	March 31, 2019
(i) Net NPAs to Net Advances	2.90%	8.81%
(ii) Movement of Gross NPAs		
(a) Opening balance	**1,493,059**	–
(b) Additions on amalgamation by conversion into WOS	–	893,128
(c) Additions during the year	211,500	604,323
(d) Reductions during the year	(548,793)	(4,392)
(e) Closing balance	**1,155,766**	**1,493,059**
(iii) Movement of Net NPAs		
(a) Opening balance	**506,694**	–
(b) Additions on amalgamation by conversion into WOS	–	59,820
(c) Additions during the year	–	446,874
(d) Reductions during the year	(138,880)	–
(e) Closing balance	**367,814**	**506,694**
(iv) Movement of provisions for NPAs (excluding provision on Standard Assets)		
(a) Opening balance	**986,365**	–
(b) Additions on amalgamation by conversion into WOS	–	833,308
(c) Provisions made during the year (Gross)	279,301	174,109
(d) Write-off/write-back of excess provisions	(477,714)	(21,052)
(e) Closing balance	**787,952**	**986,365**

Note :- Item (iii) & (iv) include the impact of countercyclical provision and floating provision utilised amounting to Nil during FY 2019-2020 (PY: NIL).

11. Details of loan assets subjected to restructuring.

There was no restructuring during FY 2019-2020 (PY: NIL).

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

A. Details of Sales

(Rs. in thousand)

	Particulars	March 31, 2020	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 realised in respect of accounts transferred in earlier years	–	–
(v)	Aggregate gain/loss over net book value	–	–

SCHEDULE FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

B. Details of Book Value of Investments in Security Receipts

(Rs. in thousand)

Particulars	March 31, 2020	March 31, 2019
(i) Backed by NPAs sold by the Bank as underlying	223,377	223,377
(ii) Backed by NPAs sold by other banks/financial institutions/non-banking financial companies as underlying	–	–
Total	**223,377**	**223,377**

FY 2019-2020:

(Rs. in thousand)

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	–
(ii)	Book value of SRs backed by NPAs sold by other banks/financial institutions/non-banking financial companies as underlying	–	–	–
Total (i) + (ii)		**46,725**	**176,652**	–

FY 2018-2019:

(Rs. in thousand)

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	–
(ii)	Book value of SRs backed by NPAs sold by other banks/financial institutions/non-banking financial companies as underlying	–	–	–
Total (i) + (ii)		**46,725**	**176,652**	–

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

(Rs. in thousand)

Sr. No.		Particulars	March 31, 2020	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 thousand)

Particulars	March 31, 2020	March 31, 2019
Provision on Standard Assets	55,621	67,405

SCHEDULE FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

15. Important Financial Ratios

Particulars	March 31, 2020	March 31, 2019
Interest Income as a percentage to Working Funds*	6.88%	6.63%
Non-Interest Income as a percentage to Working Funds*	3.71%	0.73%
Operating Profit as a percentage to Working Funds*	1.56%	(8.81)%
Return on Assets**	0.10%	(9.62)%
Business (Deposits plus Advances) per employee (Rs. in thousand) #	229,837	189,933
Profit/(Loss) per employee (Rs. in thousand)	143	(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 annualised

16. Asset Liability Management

Maturity pattern of certain items of assets and liabilities as of March 31, 2020

(Rs. in thousand)

Particulars	Day 1	2 to 7 days	8 to 14 Days	15 to 30 Days	31 days and up to 2 months	Over 2 months and up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 3 years	Over 3 years and up to 5 years	Over 5 years	Total
Advances	9,836	–	16,126	–	11,870	–	2,791,630	65,909	5,411,918	1,984,520	2,370,692	**12,662,501**
Investment in Securities	2,241,551	–	–	–	–	1,876	829,860	1,020,424	1,269,873	4,496	309,926	**5,678,006**
Deposits	505,671	896,238	280,383	339,131	658,095	762,730	1,869,112	5,469,450	7,442,851	76,710	1	**18,300,372**
Borrowings	–	–	–	–	–	–	–	20,000	130,000	–	–	**150,000**
Foreign Currency Assets	113,305	–	16,126	–	13,339	–	988,011	–	–	–	188,840	**1,319,621**
Foreign Currency Liabilities	138,801	81,042	4,051	14,150	717	36,535	59,244	3,025,426	3,425,296	51,142	36	**6,836,440**

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

(Rs. in thousand)

Particulars	Day 1	2 to 7 days	8 to 14 Days	15 to 28 Days	29 days and up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 3 years	Over 3 years and up to 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**

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 thousand)

Category	March 31, 2020	March 31, 2019
a) Direct Exposure		
(i) Residential Mortgages	1,081,296	512,071
- of which housing loans up to Rs.15 Lakhs	7,627	1,413
(ii) Commercial Real Estate	620,543	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).	172,469	431,386
Total Exposure to Real Estate Sector	**1,874,308**	**1,443,457**

SCHEDULE FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

b. Exposure to Capital Market

(Rs. in thousand)

Particulars	March 31, 2020	March 31, 2019
i. 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	6,970
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;	517,250	–
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;	150,000	–
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	**674,220**	**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 thousand)

Risk Category	Exposure (net) as at March 31, 2020	Provision held as at March 31, 2020	Exposure (net) as at March 31, 2019	Provision held as at March 31, 2019
Insignificant	97,129	–	310,105	162
Low	179,471	–	105,664	–
Moderate	65,333	–	–	–
High	–	–	–	–
Very High	–	–	–	–
Restricted	–	–	–	–
Off-credit	–	–	–	–
Total	**341,933**	-	**415,769**	

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

During FY 2019-2020, the Bank has not exceeded the single borrower limit or group borrower limit. (PY: NIL).

20. Unsecured Advances

Unsecured advances have been appropriately classified under 'Schedule 9 – Advances'. During FY 2019-20, 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.

SCHEDULE FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

21. Disclosure of Penalties imposed by RBI

The Reserve Bank of India (RBI) has, by an order dated October 15, 2019, imposed a monetary penalty of Rs. 30,000 thousand on SBM Bank (India) Limited for non-compliance by SBM Bank (Mauritius) Limited (amalgamated with SBM Bank (India) Limited on November 30, 2018) with certain provisions of directions issued by RBI on "Time-bound implementation and strengthening of SWIFT - related operational controls" and "Cyber Security Framework in Banks". This penalty has been imposed in exercise of powers vested in RBI under the provisions of Section 47A(1)(c) read with Section 46(4)(i) of the Banking Regulation Act, 1949, taking into account the failure to adhere to the aforesaid directions issued by RBI. The Bank has paid the said penalty to RBI on October 29, 2019. (PY: NIL).

22. Prior Period Items

There are no prior period items during the FY 2019-2020. (PY: NIL).

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 recognised 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 Item of Contingent Liability includes, Income Tax of Rs. 86,960 thousand (PY: 81,818 thousand) and Service tax of Rs. 5,091 thousand (PY: Nil). The Bank has gone in appeal to Income Tax Appellate Tribunal (ITAT) and High Court against the income tax assessment order of the department for AY 1996-97, 1997-98, 1999-00 to 2008-09, 2012-13 and 2013-14. The appeals are pending for the final outcome of the ITAT and High Court and the Bank is expecting favourable 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.

SCHEDULE FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

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 recognised 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 realised.

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

(Rs. in thousand)

Sr. No.	Particulars	March 31, 2020	March 31, 2019
A.	**DTA :**		
(i)	Provision for Loan Losses, Floating Provision and countercyclical provision	104,868	117,115
(ii)	Provision for Standard Advances	7,403	8,003
(iii)	Provision for Funded Interest Term Loan	–	–
(iv)	Disallowed Expenses	8,687	5,398
(v)	Unabsorbed Losses	–	–
	Total DTA	**120,958**	**130,516**
B.	**DTL :**		
(i)	Depreciation on Fixed Assets	(120,958)	(130,516)
	Total DTL	**(120,958)**	**(130,516)**
C.	**NET DTL/(DTA)**	**–**	**–**

27. Provisions & Contingencies

(Rs. in thousand)

Particulars	March 31, 2020	March 31, 2019
Depreciation on Investments	29,638	(1,872)
Provision towards Non-Performing Assets/Investment (net of write-backs)	250,184	153,057
Provision for Standard Assets	(11,783)	(119,631)
Provision for Income Tax (including Deferred Tax)	–	9,341
Provisions for diminution in fair value Restructured Advances	–	–
Provision for Country Risk	(162)	(1,439)
Provision for interest capitalised on restructured accounts	–	–
Total	**267,877**	**39,456**

28. There was no instance of SGL bouncing during FY 2019-2020. (PY: NIL).

29. Letter of Comfort/ Undertaking (LOCs/ LOUs) issued

There were NIL LOCs/LOUs outstanding as of March 31, 2020. (PY: NIL).

30. Draw down from Reserves

During FY 2019-2020, there has been no drawdown from Reserves. Also Refer Schedule 2 – Reserves and Surplus. (PY: NIL).

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, 2020	March 31, 2019
(a)	No. of complaints pending at the beginning of the year	–	–
(b)	No. of complaints received during the year	74	–
(c)	No. of complaints redressed during the year	72	–
(d)	No. of complaints pending as at the end of the year	2	–

b. Awards passed by the Banking Ombudsman

	Particulars	March 31, 2020	March 31, 2019
(a)	No. of unimplemented Awards at the beginning of the year	–	–
(b)	No. of Awards passed by Banking Ombudsman during the year	–	–
(c)	No. of Awards implemented during the year	–	–
(d)	No. of unimplemented Awards Pending as at the end of the year	–	–

SCHEDULE FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

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, organisational 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.

FY 2019-2020

(Rs. in thousand)

Business Segments	Corporate	Treasury	Retail	Total
Revenue	970,535	549,367	73,640	1,593,542
Results	34,766	116,112	(76,866)	74,012
Unallocable Expense**				(54,976)
Operating Profit/(Loss)				19,036
Income Taxes				–
Extraordinary Profit/Loss				–
Net profit/(Loss)				**19,036**
Other Information				
Segment Assets	12,242,724	11,413,047	1,127,856	24,783,627
Unallocable Assets				230,655
Total Assets				**25,014,282**
Segment Liabilities	11,143,357	3,742,203	10,097,169	24,982,729
Unallocable Liabilities				31,553
Total Liabilities				**25,014,282**
Capital expenditure during FY 2019-2020				38,725
Depreciation expenditure during FY 2019-2020				120,198

** includes regulatory penalty of Rs. 30,000 thousand.

FY 2018-2019

(Rs. in thousand)

Business Segments	Corporate	Treasury	Retail	Total
Revenue	185,509	160,483	13,892	359,884
Results	77,131	(31,813)	(38,824)	6,494
Unallocable Expense**				(476,295)
Operating Profit/(Loss)				(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
Unallocable Assets				206,507
Total Assets				**15,983,254**
Segment Liabilities	2,615,475	3,484,983	9,876,023	15,976,481
Unallocable 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.

SCHEDULE FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

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. 34,122 thousand for the year ended March 31, 2020. (PY: 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 year is Rs. 2,759 thousand. (PY: Rs. 291.37 thousand for the period December 1, 2018 to March 31, 2019).

d) The Bank expects to contribute Rs. 1.45 crore to gratuity fund in financial year 2020-2021.

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

(Rs. in thousand)

	March 31, 2020	March 31, 2019
Present Value of Benefit Obligation at the Beginning of the year	26,145	–
Interest Cost	1,971	642
Current Service Cost	6,668	1,617
(Benefit paid from the Fund)	(4,185)	–
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	(3,946)	–
Actuarial (Gains)/Losses on Obligations - Due to Experience	3,635	(565)
Present Value of Benefit Obligation at the End of the year	**30,288**	**26,145**

II) Change in the Fair Value of Plan Assets:

(Rs. in thousand)

	March 31, 2020	March 31, 2019
Fair Value of Plan Assets at the Beginning of the year	17,660	–
Expected Return on Plan Assets	1,332	450
Contributions by the Employer	–	17,161
Assets Transferred In/Acquisitions	4,454	–
(Benefit Paid from the Fund)	(4,186)	–
Actuarial Gains/(Losses) on Plan Assets - Due to Experience	(181)	49
Fair Value of Plan Assets at the End of the year	**19,079**	**17,660**

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

(Rs. in thousand)

	March 31, 2020	March 31, 2019
Actuarial (Gains)/Losses on Obligation for the year	(311)	(565)
Actuarial (Gains)/Losses on Plan Asset for the year	181	(49)
Actuarial (Gains)/Losses Recognised in the Profit or Loss Account	(129)	(614)

IV) Actual Return on Plan Assets:

(Rs. in thousand)

	March 31, 2020	March 31, 2019
Expected Return on Plan Assets	1,332	450
Actuarial Gains/(Losses) on Plan Assets - Due to Experience	(181)	49
Actual Return on Plan Assets	1,151	499

SCHEDULE FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

V) Amount Recognised in the Balance Sheet:

(Rs. in thousand)

	March 31, 2020	March 31, 2019
(Present Value of Benefit Obligation at the end of the year)	(30,288)	(26,145)
Fair Value of Plan Assets at the end of the year	19,079	17,660
Funded Status (Surplus/(Deficit))	(11,209)	(8,485)
Unrecognised Past Service Cost at the end of the year	–	–
Net (Liability)/Asset Recognised in the Balance Sheet	**(11,209)**	**(8,485)**

VI) Net Interest Cost:

(Rs. in thousand)

	March 31, 2020	March 31, 2019
Present Value of Benefit Obligation at the beginning of the year	26,145	–
(Fair Value of Plan Assets at the beginning of the year)	(17,660)	–
Net Liability/(Asset) at the beginning	8,485	–
Interest Cost	1,971	642
(Expected Return on Plan Assets)	(1,332)	(450)
Net Interest Cost for Current Year	**639**	**192**

VII) Expenses Recognised in the Profit or Loss Account:

(Rs. in thousand)

	March 31, 2020	March 31, 2019
Current Service Cost	6,668	1,617
Net Interest Cost	639	192
Actuarial (Gains)/Losses	(129)	(614)
Past Service Cost - Vested Benefit Recognised during the year	–	–
Expenses Recognised in the Profit or Loss Account	**7,178**	**1,195**

VIII) Balance Sheet Reconciliation:

(Rs. in thousand)

	March 31, 2020	March 31, 2019
Opening Net Liability	8,485	–
Expense Recognised in Profit or Loss Account	7,178	1,195
Net Liability/(Asset) Transfer In	–	7,290
Net (Liability)/Asset Transfer Out	–	–
(Benefit Paid Directly by the Employer)	–	–
(Employer's Contribution)	(4,454)	–
Net Liability/(Asset) Recognised in the Balance Sheet	**11,209**	**8,485**

IX) Category of Assets:

(Rs. in thousand)

	March 31, 2020	March 31, 2019
Government of India Assets	–	–
State Government Securities	–	–
Special Deposits Scheme	–	–
Debt Instruments	–	–
Corporate Bonds	–	–
Cash And Cash Equivalents	–	–
Insurance fund	19,079	17,660
Asset-backed Securities	–	–
Structured Debt	–	–
Other	–	–
Total	**19,079**	**17,660**

Actuarial assumptions:

	March 31, 2020	March 31, 2019
Expected Return on Plan Assets	6.84%	7.54%
Rate of Discounting	6.84%	7.54%
Rate of Salary Increase	6.88%	9.85%
Rate of Employee Turnover	6%	6%
Mortality Rate During Employment	Indian Assured Lives Mortality (2006-08)	Indian Assured Lives Mortality (2006-08)

SCHEDULE FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

Experience Adjustments:

(Rs. in thousand)

Particulars	**March 31, 2020**	**March 31, 2019**
Plan Assets	19,079	17,660
Defined Benefit Obligation	30,288	26,145
Surplus/(Deficit)	11,209	8,485
Experience adjustment gain/(loss) on plan assets	(181)	49
Experience adjustment (gain)/loss on plan liabilities	3,635	(565)

34. Related Party Transactions

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

Relationship during FY 2019-20:

1	Ultimate Parent	SBM Holdings Limited
2	Parent	SBM (Bank) Holdings Limited
3	Subsidiaries of Parent	SBM Bank (Mauritius) Limited
		SBM Bank (Kenya) Limited
4	Key Management Personnel	a. Board of Directors b. Managing Director & Chief Executive Officer – Sidharth Rath c. Chief Finance Officer – Talib Lokhandwala d. Company Secretary – Sanchita Kapoor* e. Chief Information Officer/Chief Operations Office – Rajeev Panikanth f. Head of Corporate Banking – Dipak Agarwal g. Head of Treasury – Mandar Pitale

*Company Secretary of the Bank vacated the office on December 09, 2019 and ceased to be a Key Management Personnel since the day.

Transactions during the FY 2019-20:

Particulars	**Parent**		**Subsidiaries of the Parent**		**Key Management Personnel**		**Total**	
	Outstanding	**Maximum Balance**	**Outstanding**	**Maximum Balance**	**Outstanding**	**Maximum Balance**	**Outstanding**	**Maximum Balance**
Liabilities								
Deposit	–	–	60,309	658,855	14,275	14,275	74,584	673,130
Borrowings	–	–	–	493,850	–	–	–	493,850
Interest payable	–	–	–	–	–	–	–	–
MTM loss on FX forwards	–	–	–	–	–	–	–	–
Payable to group	240,424	240,424	–	–	–	–	240,424	240,424
Total	**240,424**	**240,424**	**60,309**	**1,152,705**	**14,275**	**14,275**	**315,008**	**1,407,404**
Assets								
Lending	–	–	–	–	7,377	7,377	7,377	7,377
Balances with Bank	–	–	4,218	6,906	–	–	4,218	6,906
Interest receivable	–	–	–	–	38	38	38	38
MTM gain on FX forwards	–	–	–	–	–	–	–	–
Total	**–**	**–**	**4,218**	**6,906**	**7,415**	**7,415**	**11,633**	**14,321**
Off Balance Sheet items								
FX Forwards	–	–	–	–	–	–	–	–
Total	–	–	–	–	–	–	–	–

Particulars	**Parent**	**Subsidiaries of the Parent**	**Key Management Personnel**	**Total**
Profit & Loss Account Items				
Interest Received	–	–	264	**264**
Interest Paid	–	89	550	**539**
Fees Paid	–	–	6,150	**6,150**
Salary Cost	–	–	60,191	**60,191**

SCHEDULE FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

Transactions during the FY 2018-19:

(Rs. in thousand)

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	1,645	264,928	760,278
Borrowings	–	–	–	1,563,760	–	–	–	1,563,760
Interest payable	–	–	–	–	–	–	–	–
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**	**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**
Off Balance Sheet Items								
FX Forwards	–	–	–	–	–	–	–	–
Total	–	–	–	–	–	–	–	–

Particulars	Parent	Subsidiaries of the Parent	Key Management Personnel	Total
Profit & Loss Account Items				
Interest Received	–	–	–	–
Interest Paid	–	15,379	57	**15,436**
Fees Paid	–	–	3,098	**3,098**
Salary Cost	–	–	11,313	**11,313**

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	Mar 31, 2020	Mar 31, 2019
Net profit after tax	19,036	(469,801)
Weighted average number of equity shares outstanding	735,931,096	218,049,229
Basic and diluted earnings per share in INR	0.03	(2.15)

37. COVID-19

The SARS-CoV2 virus responsible for COVID-19 continues to spread across the globe and India. This has resulted in a significant decline and volatility in global and Indian markets and economic activity. Implementation of lockdown and extensions has resulted in disruptions of business and common life. With situation still unfolding, it is difficult to predict time horizons to gauge the impact.

While Bank is continuously engaged and taking updates from all the borrowers on a frequent basis irrespective of the sectors they are operating in, companies categorised in the high-risk segment are being monitored closely.

SCHEDULE FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

Classification and provisioning under RBI COVID-19 Regulatory Package.

Based on RBI guidelines dated April 17, 2020, announcing certain regulatory measures in the wake of the disruptions on account of COVID-19 pandemic and the consequent asset classification and provisioning norms, Bank has released the Board approved policy to provide relief to all eligible borrowers including providing moratorium of three months on payment of instalments and easing of WC financing in terms of reassessment of drawing power and the Working Capital cycle.

Subsequently, based on updated RBI guidelines on COVID from RBI dated May 23, 2020, Bank has put up a policy to Board pertaining to approval for a further moratorium of three months to companies, carving of interest into FITL and the repayment period thereof, and reassessment of drawing power and the Working Capital cycle. Based on the approval from the board, these will be implemented for our clients on case to case basis.

Respective amounts in Special Mention Account (SMA)/overdue categories, where the moratorium/deferment was extended, in terms of paragraph 2 and 3, in accordance with the regulatory package announced by the Reserve Bank of India, the Bank has extended the option of a moratorium to its borrowers for their instalments.

In line with the RBI guidelines issued on March 27, 2020, in respect of all accounts classified as standard as on February 29, 2020, even if overdue, the moratorium period, wherever granted, shall be excluded from the number of days past due for the purpose of asset classification. The Bank has maintained requisite provisioning, wherever necessary, in accordance with above mentioned guidelines.

(Rs. in thousand)

Moratorium/deferment extended in respect of SMA/Overdue accounts	No. of accounts	O/s Amount (Fund Based)
SMA 0	3	21,420
SMA 1	–	–
SMA 2	–	–
Total	**3**	**21,420**

38. Counter Cyclical/Floating Provisions

(Rs. in thousand)

Particulars	March 31, 2020		March 31, 2019	
	Countercyclical	Floating	Countercyclical	Floating
Opening Balance in floating provision	19,068	6,007	–	–
Add- Additions on amalgamation by conversion into WOS	-	-	19,068	6,007
Add- Provision made during the year	-	-	-	-
Less- Provision utilise during the year for specific provision	-	-	-	–
Closing balance in floating provision	**19,068**	**6,007**	**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 02, 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 2019-20. (PY: NIL).

41. The concentration of Deposits, Advances, Exposures and NPAs

I. Concentration of Deposits

(Rs. in thousand)

Particulars	March 31, 2020	March 31, 2019
Total deposits of twenty largest depositors	7,871,213	5,881,749
Percentage of Deposits to twenty largest depositors to total deposits of the Bank	43.01%	59.77%

Concentration of Advances*

(Rs. in thousand)

Particulars	March 31, 2020	March 31, 2019
Total advances to twenty largest borrowers	8,407,751	5,335,780
Percentage of Advances to twenty largest borrowers to total advances of the Bank	51.44%	79.89%

Concentration of Exposures*

(Rs. in thousand)

Particulars	March 31, 2020	March 31, 2019
Total Exposures to twenty largest borrowers/customers	8,407,751	5,477,708
Percentage of Exposures to twenty largest borrowers /customers to Total Exposures of the Bank on borrowers/customers	50.27%	77.59%

*Excluding banking exposures

SCHEDULE FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

Concentration of NPA

(Rs. in thousand)

Particulars	March 31, 2020	March 31, 2019
Total Exposure of top Four NPA accounts	1,048,097	1,323,878

II. Sector-wise Advances

(Rs. in thousand)

Sl. No.	Sector	FY 2019-20			FY 2018-19		
		Outstanding Total Gross Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector	Outstanding Total Gross Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A	**Priority Sector**						
1	Agriculture and allied activities	1,014,015	–	0%	–	–	0%
2	Advances to industries sector eligible as priority sector lending	245,883	245,883	100%	760,105	760,105	100%
3	Services	730,000	–	0%	401,910	–	0%
4	Personal loans	2,225	–	0%	–	–	0%
	Subtotal (A)	1,992,123	245,883	12.34%	1,162,015	760,105	65.41%
B	**Non-Priority Sector**						
1	Agriculture and allied activities	–	–	0%	–	–	0%
2	Industry	7,172,860	897,862	12.52%	2,464,034	687,996	27.92%
3	Services	3,074,434	–	0%	1,531,324	–	0%
4	Personal loans	1,211,036	12,021	0.99%	1,577,120	44,958	2.85%
	Subtotal (B)	**11,458,330**	**909,883**	7.94%	**5,572,478**	**732,954**	13.15%
	Total (A+B)	**13,450,453**	**1,155,766**	8.59%	**6,734,493**	**1,493,059**	22.17%

III. a) Movement of Gross NPAs

(Rs. in thousand)

Particulars	March 31, 2020	March 31, 2019
Opening balance of Gross NPAs	1,493,059	–
Add: Additions on amalgamation by conversion into WOS	–	893,128
Add: Additions during the year	211,500	604,323
Subtotal (A)	**1,704,599**	**1,497,451**
Less:		
i. Upgradations	–	–
ii. Recoveries (excluding recoveries made from upgraded accounts)	(100,196)	(4,392)
iii. Write-offs	(448,597)	–
Subtotal (B)	**(548,793)**	**(4,392)**
Closing balance of Gross NPAs (A-B)	**1,155,766**	**1,493,059**

b)

(Rs. in thousand)

Particulars	March 31, 2020	March 31, 2019
Opening balance of Technical/Prudential written-off accounts	**3,290,111**	**–**
Add: Additions on amalgamation by conversion into WOS	–	**3,295,000**
Add: Technical/Prudential write-offs during the year	448,597	–
Subtotal (A)	**3,738,708**	**3,295,000**
Less: Recoveries made from previously technical/ prudential written-off accounts during the year (B)	(101,324)	(4,889)
Closing balance as at end of the year (A-B)	**3,637,384**	**3,290,111**

IV. Overseas Assets, NPAs and Revenue

(Rs. in thousand)

Particulars	March 31, 2020	March 31, 2019
Total Assets Total NPAs Total Revenue for the year ended	– – –	– – –

SCHEDULE FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

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. 6,700 thousand (PY: Rs. 1,571 thousand) have been accounted for depreciation and reduced from the Revaluation Reserve during FY 2019-20.

43. Software capitalised under Fixed Assets

(Rs. in thousand)

Particulars	March 31, 2020	March 31, 2019
Cost at beginning of the year	261,238	–
Additions on amalgamation by conversion into WOS	–	238,332
Additions during the year	73,327	22,906
Deductions during the year	–	–
Depreciation to date	193,539	98,315
Net Block	**141,026**	**162,923**

44. Provision Coverage Ratio (PCR)

As on March 31, 2020, the Bank has achieved the PCR ratio of 68.18% regarding Gross NPA as on that day. (PY: 64.38%).

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. Andrew Bainbridge 3. Mr. Shyam Sundar Barik
(b) Information relating to the design and structure of remuneration processes and the key features and objectives of the 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 corelate 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 utilises 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.

SCHEDULE FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

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 3 Remuneration Committee meetings were held during FY 2019-20, members were paid remuneration of Rs. 450 thousand for attending the same.
(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 2019-20 During the year, only one employee was paid the sign-on bonus amounting to Rs. 2,700 thousand. – –
(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.	Managing Director and Chief Executive Officer (MD & CEO) Chief Operations Officer (COO) Head – Corporate Banking Head – Retail Banking Head – Treasury Particulars (Rs. in thousand) Fixed: 64,166 Variable: – Perquisites: 40 TOTAL: 64,206
(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. 6,150 thousand was paid as sitting fees to the Non-Executive Directors during the year.

47. Accounting for leases

1. Financial lease

Bank has not entered into any financial lease in the current year as well as the previous 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 thousand)

Particulars	March 31, 2020	March 31, 2019
1. Total future minimum lease payments as at year end:	286,839	105,168
– Not later than one year	67,114	20,203
– Later than one year but not later than five years	219,725	84,965
– Later than five years	–	–
2. Lease payments recognised in the Profit and Loss Account in Schedule 16	45,464	4,716

48. Credit Default Swaps

The Bank does not have any Credit Default Swaps during FY 2019-20. (PY: NIL).

SCHEDULE FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

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 thousand)

Sr. No.	Particulars	March 31, 2020	March 31, 2019
1	Total amount of intra-group exposures	205,152	103,500
2	Total amount of top 20 intra-group exposures	205,152	103,500
3	Percentage of intra-group exposures to total exposure of the Bank on /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 thousand)

Particulars	March 31, 2020	March 31, 2019
Opening balance of amounts transferred to DEAF	4,180	–
Additions on amalgamation by conversion into WOS	–	3,542
Add : Amounts transferred to DEAF during the year	1,265	638
Less : Amounts reimbursed by DEAF towards claims	–	–
Closing balance of amounts transferred to DEAF	**5,445**	**4,180**

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 quarterly and riskiness of the same concerning the USD – INR exchange rate fluctuation is assessed.

The Bank addresses the currency comprehensively induced credit risk and the incremental provisioning and capital held by the Bank on account of the same as on 31 March 2020, is as follows:

Incremental Capital maintained by the Bank on account of unhedged foreign currency exposure is Nil. (PY: Rs 1,110 thousand). Unhedged Foreign Currency Exposure provisions for current year:

Incremental standard asset provision required as per RBI guideline	Outstanding as on March 31, 2020	Incremental standard advance provision as on March 31, 2020
0 bps	12,294,687	–
20 bps	–	–
40 bps	–	–
60 bps	–	–
80 bps	–	–

Unhedged Foreign Currency Exposure provisions for previous year:

(Rs. in thousand)

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	–	–

SCHEDULE FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

52. Liquidity Coverage Ratio

FY 2019-20

(Rs. in thousand)

		30 June 2019		30 September 2019		31 December 2019		31 March 2020	
		Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets									
1	Total High Quality Liquid Assets (HQLA)		5,977,062		6,356,323		5,800,731		5,975,835
Cash Outflows									
2	Retail deposits and deposits from small business customers, of which:	-	-	-	-	-	-	-	-
	(i) Stable deposits**	-	-	-	-	-	-	-	-
	(ii) Less stable deposits	4,664,813	466,481	1,940,562	194,056	3,020,939	302,094	3,042,029	304,203
3	Unsecured wholesale funding, of which:	-	-	-	-	-	-	-	-
	(i) Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
	(ii) Non-operational deposits (all counterparties)	3,405,116	2,871,827	2,808,377	2,084,789	1,897,117	1,345,321	2,792,305	2,048,169
	(iii) Unsecured debt	-	-	-	-	-	-	-	-
4	Secured wholesale funding		-		-		-		-
5	Additional requirements, of which	-	-	-	-	-	-	-	-
	(i) Outflows related to derivative exposures and other	92,796	92,796	36,087	36,087	1,193	1,193	21,278	21,278
	(ii) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
	(iii) Credit and liquidity facilities	4,218,907	67,421	1,622,875	49,582	570,259	58,537	1,039,268	136,491
6	Other contractual funding obligations	7,796	7,796	11,712	11,712	659,462	659,462	769,068	769,068
7	Other contingent funding obligations	182,431	5,473	393,314	11,799	1,116,023	33,481	1,894,472	56,834
8	**TOTAL CASH OUTFLOWS**		**3,511,794**		**2,388,025**		**2,400,088**		**3,336,043**
Cash Inflows									
9	Secured lending (e.g. reverse repos)	2,491,903	-	2,337,372	-	2,109,339	-	1,569,377	-
10	Inflows from fully performing exposures	559,783	477,418	470,550	418,259	550,483	434,295	653,977	518,089
11	Other cash inflows*	1,819,022	1,269,907	939,789	566,390	132,048	68,927	98,498	61,574
12	**TOTAL CASH INFLOWS**	**4,870,708**	**1,747,325**	**3,747,711**	**984,649**	**2,791,870**	**503,222**	**2,321,852**	**579,663**
13	**TOTAL HQLA**		5,977,062		6,356,323		5,800,731		5,975,835
14	**TOTAL NET CASH OUTFLOWS**		1,764,469		1,403,376		1,896,866		2,756,380
15	**LIQUIDITY COVERAGE RATIO (%)**		338.75%		452.93%		305.81%		216.80%

FY 2018-19

(Rs. in thousand)

		Dec'18, Jan'19, Feb'19 & Mar'19	
		Total Unweighted 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

SCHEDULE FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

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 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) and Level 2 HQLA which normally contains the liquid Corporate Securities. 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 within next 30 days .

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 including from Financial Counterparties).

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, 2020 amounts to Rs. 66,035 thousand. (PY: Rs. 12,700 thousand).

54. Fraud

Particulars	March 31, 2020	March 31, 2019
Number of frauds reported	–	–
Amount involved in frauds	–	–
Provision made	–	–
Unamortised provision debited from 'other reserves'	–	–

55. Other expenditure:

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

(Rs. in thousand)

Particulars	FY 2019-20	FY 2018-19
Loss on account of cyber fraud	–	396,653
IT expenses	92,241	21,043
Regulatory Penalty	30,000	–

56. Priority sector lending certificates

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

(Rs. in thousand)

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

57. RBI vide it's 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 per cent of the published net profits after tax for the reference period or (b) the additional Gross NPAs identified by RBI exceed 15 per cent of the published incremental Gross NPAs for the reference period or both. RBI inspection was held for the Financial Year 2018-19 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.

58. 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 M. P. Chitale & Co.

For M. P. Chitale & Co.
Chartered Accountants
ICAI Firm Registration No.: 101851W

Sd/-
Ashutosh Pednekar
Partner
ICAI Membership No. 041037

Place: Mumbai
Date: June 29, 2020

For SBM Bank (India) Limited

Sd/-
Mr. Sidharth Rath
Managing Director & Chief Executive Officer

Sd/-
Mr. Ameet Patel
Independent Director

Mr. Talib Lokhandwala
Chief Financial Officer

Mrs. Mugdha Merchant
Company Secretary

Basel III – Pillar 3 disclosures for the year ended March 31, 2020

1. Scope of Application

Quantitative Disclosures:

a. The aggregate amount of capital deficiencies in subsidiaries: Not Applicable

b. The aggregate amount of the Bank's total interests in insurance entitles: Not Applicable

2. Capital Requirement

Qualitative disclosures

Bank's approach to assessing the adequacy:

The Bank is subject to the capital adequacy guidelines stipulated by RBI, which are based on the framework of the Basel Committee on Banking Supervision. The Bank's policy is to maintain a strong capital to maintain the 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 the Standardised approach for credit and market risk and Basic Indicator Approach for operational risk.

Quantitative disclosures:

The details of capital, risk-weighted assets and capital adequacy ratio as at 31 March 2020 are as follows:

(Rs. In Millions)

Capital Requirements for various Risks	
Credit Risk	
Capital requirements for credit risk:	
• Portfolios subject to standardised approach	1,625
• Securitization exposures*	-

* Bank does not have any exposure to securitization transactions

(Rs. in thousand)

Market Risk	
Capital requirements for market risk:	
• Standardised duration approach	
• Interest rate risk	126
• Foreign exchange risk (including gold)	37
• Equity risk	34

(Rs. in thousand)

Operational Risk	
Capital requirements for operational risk:	
• Basic Indicator Approach	100
• The Standardised Approach (if applicable)	-

Note:- Capital requirement has been computed at 10.875% of RWA

(Rs. in thousand)

Capital Adequacy Ratios	**Ratio**
Common Equity Tier – 1 CRAR	31.48%
Tier – 1 CRAR	31.48%
Total CRAR	32.44%

3. Risk Exposure and Assessment

General qualitative disclosure on risk area risk management objective policies & processes etc:

The Bank has identified the following risks as material to its nature of operations:

- Credit Risk
- Credit Concentration Risk
- Market Risk
- Interest Rate Risk in the Banking Book
- Liquidity Risk
- Operational Risk
- Fraud Risk
- Compliance Risk
- Strategic and Business Risk
- Reputational Risk

Risk Management Framework

Overview

The Bank's risk management framework is embedded in the business through the different levels supported by an appropriate level of investment in information technology and its people.

Credit Risk

The Bank has a comprehensive credit risk framework to manage Credit Risk, in a uniform and consistent manner.

- Bank maintains independence and integrity of credit decision-making, the credit under working function is segregated from loan origination.
- Bank adheres to the RBI prudential requirements concerning 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, capitalisation, and maturity schedule of liabilities), cash flow and FX exposure.
- As a matter of policy, all credit facilities are reviewed/renewed annually. An account would be classified as NPA based on RBI guidelines.

Credit Concentration Risk

Credit Concentration Risk arises mainly on account of the concentration of exposures under various categories including industry, products, geography, sensitive sectors, underlying collateral nature and single/group borrower exposures. Limits have been stipulated on the single borrower, borrower group and industry. Limits on countries and Bank counterparties have also been stipulated. Also, a framework has been created for managing concentration risk.

Credit risk: General disclosures

Qualitative Disclosures

(a) The 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 under RBI guidelines. For accounting purposes, the 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, 2019-20 bank has non-performing assets, net of provision (Gross NPA less Provision), amounting to INR 368 Mio.

The Bank has adopted the Standardised Approach under Basel III for credit risk for Financial Year 2019-20.

Total Gross Credit Risk Exposure Including Geographic Distribution of Exposure

(Rs. in millions)

Exposure distribution	31 March, 2020		
	Fund based	Non-fund based	Total
Domestic	13,736	2,416	16,153
Overseas	197	3	201
Total	**13,934**	**2,420**	**16,354**

Distribution of Credit Risk Exposure by Industry Sector

(Rs. in millions)

Industry Classification	Amount	
	Fund Based	Non-Fund Based
Cement and Cement Products	1,375	200
Chemicals - Petrochemicals	220	–
Construction	52	190
Drugs & Pharmaceuticals	100	–
Electricity Generation - Others	573	–
Engineering - Others	662	–
Food Processing - Others	296	100
Food Processing - Edible oils	505	–
Glass & Glassware	600	–
Infrastructure - Electricity Generation	200	–
Infrastructure - Others	404	281
Infrastructure - Roadways	365	–
Iron and Steel	500	–
Leather and Leather Products	524	–
Manufacturing - Electricity	–	235
Other Industries	503	–
Other Metal and Metal Products	275	–
Other residuary advances	6,429	966
Rubber plastics and other Products	151	–
Textile - Cotton	150	50
Vehicles, Vehicle Parts and Transport Equipment	50	200
Wood and Wood Products	–	198
Total	**13,934**	**2,420**

As on 31 March, 2020, the Bank's exposure to the industries stated below was more than 5% of the total gross credit exposure (outstanding):

(Rs. in millions)

Sr. No.	Industry Classification	Percentage of the total gross credit exposure
1	Other residuary advances	54.79%
2	Cement and Cement Products	9.14%

Breakdown of assets

Residual Contractual Maturity Breakdown of Assets as of 31 March, 2020

(Rs. in millions)

Maturity buckets	Cash	Balances with RBI	Balances with other banks	Investments	Advances	Fixed Assets	Other Assets
1 day	25	300	187	2,242	10	–	1
2 to 7 days	–	–	4,160	–	–	–	4
8 to 14 days	–	48	–	–	16	–	74
15 to 30 days	–	16	–	–	–	–	–
31 days to 2 months	–	15	–	–	12	–	323
Over 2 months and up to 3 Months	–	21	–	2	–	–	11
Over 3 months and up to 6 Months	–	29	–	830	2,792	–	22
Over 6 months and up to 12 Months	–	145	–	1,020	66	–	0
Over 1 year and up to 3 years	–	175	–	1,270	5,412	–	-0
Over 3 years and up to 5 years	–	1	–	4	1,985	–	–
Over 5 years	–	0	–	310	2,371	615	500
Total	**25**	**752**	**4,347**	**5,678**	**12,663**	**615**	**935**

Movement of NPAs

(Rs. in millions)

Particulars	Amount
Amount of NPAs (Gross)	
• Substandard	216
• Doubtful 1	579
• Doubtful 2	266
• Doubtful 3	–
• Loss	95
Net NPAs	368
NPA Ratios	
• Gross NPAs to gross advances	8.59%
• Net NPAs to net advances	2.90%

Movement of NPAs (Gross)	
Opening balance (1 April, 2019)	1,493
Additions	212
Reductions	(549)
Closing balance (31 March, 2020)	1,156

Movement of specific provisions and general provisions

(Rs. in millions)

Movement of Provisions	Specific Provisions**	General Provisions
Opening balance (1 April, 2019)	986	67
Provisions made during the period	279	–
Write-off/ write-back of excess provisions	(478)	(11)
Closing balance (31 March 2020)	788	56

**includes Floating and Countercyclic Provisions

In addition, write-offs and recoveries that have been booked directly to the income statement should be disclosed separately.

(Rs. in millions)

Write-offs that have been booked directly to the income statement	449
Recoveries that have been booked directly to the income statement	101

Geography-wise Distribution of NPA and Provision – Position

(Rs. in millions)

Particular	Domestic	Overseas	Total
Gross NPA	1,156	–	1,156
Specific Provision**	788	–	788

**includes Floating and Countercyclic Provisions

Breakup of NPA by major Industries– Position

(Rs. in millions)

	Total (As of March 31, 2020)			During the period FY 2019-2020	
Particulars	Gross NPA	Specific Provision**		Specific Provision**	Write-offs
Electricity Generation - Others	573		306	137	–
Engineering - Others	209		113	113	–
Food Processing - Others	95		95	–	–
Infrastructure - Roadways	115		115	24	–
Other residuary advances	13		9	0	–
Rubber plastics and other products	151		151	(15)	–
Textile - Cotton	–		–	(449)	449
Drugs & Pharmaceuticals	–		–	(9)	–
Total	**1156**		**788**	**(198)**	**449**

**includes Floating and Countercyclic Provisions

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

(Rs. in millions)

	Particulars	Amount
A	Amount of Non-Performing Investments	7
B	Amount of Provision held for Non-performing investments	7
C	Movement of provision for depreciation on investments	
	- Opening balance as on 1 April, 2019	8
	- Provision made in 2019-20	30
	- Write-offs/Write-back of excess provision	–
	- Closing balance as on 31 March, 2020	38

4. Gross Credit Risk Exposure

Qualitative Disclosures:

- The Bank is using Credit Risk Assessment of ICRA, CRISIL, India Ratings, CARE, Brickwork and Acute to arrive at risk weightage wherever available.

Quantitative Disclosures

- Details of Gross Credit Risk Exposure (Fund based and Non-fund based) based on Risk Weight - Position

(Rs. in millions)

Particulars	Amount
Below 100% risk weight	19,781
100% risk weight	9,608
More than 100% risk weight	1,605
Deduction from capital funds	–
Total	**30,995**

Note: Exposure includes loans & advances, lendings, margins, investments in Govt Securities, T-Bills , SDLs, investments in debenture & bonds, security receipt, other fund based assets and Non-Fund based exposure including LC, Performance Guarantees, Financial Guarantees and unavailed Cash Credit, and other contingent Liabilities.

5. Credit Risk Mitigation

Qualitative Disclosures:

It is the policy of the Bank to request for a pari-pasu charge on current assets/movable fixed assets/immovable assets for corporate credits unless the business case warrants unsecured lending. Security is recognised 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 the proper valuation of collateral security wherever stipulated.

Quantitative Disclosures

Exposures (Fund Based and Non-Fund Based) covered by Eligible CRMs:

Particulars	(Rs. in millions)
Eligible Collaterals	2,416
Eligible Guarantees [Central Govt., State Govt., CGMSE]	–
Total	**2,416**

6. Securitization Exposures: Disclosure for Standardised Approach

Qualitative and Quantitative 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 37,900 thousand is made for Security Receipts.

7. **Market Risk in 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 Organisation Structure at the Bank

Bank's Risk Management is controlled at the Corporate Office. The Risk Management Committee of the Board approves risk tolerance and appetite for market risk on the recommendation of the Risk Department. It also monitors and reviews significant risks and effectiveness of processes and sets out management responsibilities. Risk Management Department formulates and implements the Market Risk policies, and operational plans and recommends changes to policies, processes and parameters for approval of the Risk Management Committee after taking feedback from the stakeholders.

Market Risk Limit Structure at the Bank

Market Risk limits represent 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 organised in a certain hierarchy.
The Bank calculates the risk charge on Market Risk based onstandardised approach as prescribed by RBI. The portfolio contains foreign exchange and interest rate risk only. The interest rate general risk is computed based on a duration-based approach.

Quantitative disclosures

The capital requirements for market risk are as follows:

(Rs. in millions)

Standardised Duration Approach	Amount
Interest rate risk	126
Foreign exchange risk (including gold)	37
Equity position risk	34

8. **Operational Risk Disclosures**

Operational Risk:

The Basel Committee on Banking Supervision (BCBS) and subsequently the Reserve Bank of India (RBI) have defined Operational Risk (OR) as "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events". The Bank has adopted the same definition for management of operational risk. The definition includes a risk of loss due to legal risk but excludes strategic and reputational risk. The Bank has put in place Board-approved governance and organisational structure with clearly defined roles and responsibilities to mitigate operational risk arising out of the Bank's business and operations.

Governance and Organisational Structure for Managing Operational Risk: The Board of Directors (Board) is primarily responsible for ensuring effective management of the operational risks of the bank. The Board sets the overall strategy and direction for Operational Risk Management within the Bank. The Risk Management Committee (RMC) of the Board is responsible for overseeing the effective implementation of the Operational Risk Management Framework (ORMF) approved by the Board of Directors. A committee of senior management officials namely "Committee of Executives – Risk Management oversees the implementation of the ORMF approved by the Board. This committee comprises of MD & CEO, Chief Operating Officer (COO), Chief Risk Officer (CRO), Chief Compliance Officer (CCO), Head of Treasury & Head of Market Risk & TMO. An independent Operational Risk Management vertical within the Risk Department is responsible for the implementation of the framework across the Bank. The Board approved operational risk management policy stipulates the roles and responsibilities of employees, business units, operations and support function in managing operational risk.

Monitoring & Measuring Operational Risk:

The Bank has put in place following tools and techniques to monitor and measure operational risk:

1) **Risk and Control Self-Assessment** (RCSA) is a process of periodic and subjective assessment of the Bank's operational risk and controls undertaken by the respective department/function heads. This exercise leverages on the knowledge and expertise of the respective departments to assess their risks and effectiveness and adequacy of controls. This helps in identifying control gaps and consequent actions proposed to close the gaps. RCSA is used for identification & mitigation of operational risks, reporting of control deficiencies, monitoring of changes in control environment and assessment of operational risk profile. The focus of the RCSA process is to ensure that all operational risks are understood and are being effectively monitored and controlled to improve business and operational efficiency.
2) **Key Risk Indicators:** These are metrics which when monitored periodically can provide a warning /alert on the underlying risk or control failure. This then helps to take timely action to prevent the occurrence of the risk. The Bank has identified certain metrics as Key Risk Indicators which are monitored periodically.
3) **Reporting of Operational Risk Events:** The Bank collects operational risk events. Root cause analysis is conducted for material risk events to identify the underlying risks and mitigate the gaps in control.

Information Security & Information Technology Risk:

The bank uses various technology solutions/applications to be able to carry out its various operations. Use of technology exposes the Bank to the risk of business disruption, risks related to information assets, data security, integrity, reliability and availability etc. The Bank has put in place a governance framework, information security practices and business continuity plan to mitigate information technology-related risks.The Internal Audit Department assures the management of information technology-related risks. Bank conducts Business Continuity tests and Disaster Recovery tests periodically to ensure the capabilities of meeting the contingency needs of the Bank.There is an independent information security team within the Risk Department group which addresses information security-related risks. A documented Board approved information security policy is put in place. Information security training and awareness are provided to all the employees of the Bank. An information security steering committee is formed for an effective communication channel for management's directions and provides an ongoing basis alignment of the security programme with organizational objectives.

Fraud Risk:

Risk of frauds – internal or external is inherent to any banking entity. SBM India has identified Fraud Risk as one of the key risks facing the organisation.

The Reserve Bank of India has vide its “Master Directions on Frauds – Classification and Reporting by commercial banks and select FIs” categorised the fraud in the following categories to ensure consistency in the treatment of fraud–

- Misappropriation and criminal breach of trust
- Fraudulent encashment through forged instruments, manipulation of books of account or through fictitious accounts and conversion of property.
- Unauthorised credit facilities extended for reward or illegal gratification.
- Cash shortages.
- Cheating and forgery.
- Fraudulent transactions involving foreign exchange
- Any other type of fraud not coming under the specific heads as above.

Compliance Risk:

Compliance risk is the risk of legal or regulatory sanctions, material financial loss, or loss to reputation a Bank may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organisation standards, and codes of conduct applicable to its banking activities.

Since the Bank is required to adhere to numerous regulatory guidelines and applicable laws, risk of non-adherence to these laws and guidelines is identified as a key risk for SBM India.

Strategic and Business Risk:

Strategic risk is the current or prospective risk to earnings and capital arising from changes in the business environment and/or adverse business decisions, improper implementation of decisions, or lack of responsiveness to changes in the business environment.

The Bank does its capital and business budgeting exercise every year. Such an exercise includes the impact of the Bank’s strategic plans (long- term horizon), as well as business plans based on the Banks’ current and projected capital levels. At the strategic level, investments in related businesses, changes in the business portfolio based on an internal study of industrial and economic environments, would have a direct impact on the capital levels and the growth targets of the different business lines of the Bank. At the tactical level, the introduction of new products, discontinuation of existing products, expansion into new customer segments, etc. would have an impact on the budgeted growth plans.

The Bank identifies the key strategic and business risks during its business plan formulation and review.

Reputational Risk:

Reputational risk is the current or prospective risk to earnings and capital arising from the adverse perception of the image of the Bank on the part of customers, counterparties, shareholders, investors and/or regulators.The reputation of SBM India is founded on the trust of its employees, clients, shareholders, regulators and from the public in general. Isolated events may undermine that trust and negatively impact SBM India’s reputation. Hence, SBM India acknowledges that it is essential that the reputation is protected.

The Bank has put in place a Reputational Risk Policy which deals with identification and assessment of reputational risk.

Capital Charge: The Bank follows the Basic Indicator Approach for computation of regulatory capital charge for Operational Risk.

9. Interest Rate Risk in Banking Book

Qualitative Disclosures

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 Organisation 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 optimising the balance sheet structure and maximises NII over time while minimising 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.

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 Organisation 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 analyses the structural liquidity statement reports as per RBI defined time buckets. The Bank has put in place liquidity mitigants.

Quantitative disclosures

Earnings Perspective

(Rs. in millions)

Currency	Interest Rate Shock	
	+200bps	-200bps
INR	1,074	(1,074)
USD	623	(623)
Residual	0	0
Total	**1,697**	**(1,697)**

Economic Value Perspective

(Rs. in millions)

Currency	Interest Rate Shock	
	+200bps	+200bps
INR	(183)	183
USD	107	(107)
Residual	–	–
Total	**(76)**	**(76)**

10. Exposures to Counterparty Credit Risk

Qualitative Disclosures

The Bank is having counterparty credit exposure for derivative transactions only about forex forward contract. All interbank forward contract up to 13 months are guaranteed by CCIL. Bank follows the current exposure method as prescribed by RBI for computing counterparty credit exposure.

Quantitative Disclosures

(Rs. in millions)

Particulars	March 31, 2020	
	Notional amounts	Current exposure
Foreign exchange contracts	10,282	237
Interest rate derivative contracts	–	–
Currency swaps	–	–
Currency options	–	–

11. Composition of Capital Qualitative Disclosures:

Tier I capital comprises of Paid-up Capital to meet capital adequacy norms, statutory reserves, Capital Reserves and retained earnings including carrying Forward Losses.

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

(Rs. in millions)

Basel III common disclosure template to be used for March 31, 2020			Ref No.
Common Equity Tier 1 capital: instruments and reserves			
1	Directly issued qualifying common share capital plus related stock surplus (share premium)	7,570	A1
2	Retained earnings	(2,435)	B3+B4
3	Accumulated other comprehensive income (and other reserves)	431	B1+B2
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	–	
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**	5,565	
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)	–	
10	Deferred tax assets	–	
11	Cash-flow hedge reserve	–	
12	Shortfall of provisions to expected losses	–	
13	Securitization 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 rights (amount above 10% threshold)	–	

(Rs. in millions)

Basel III common disclosure template to be used for March 31, 2020			Ref No.
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	–	
22	Amount exceeding the 15% threshold	–	
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 adjustments (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 subsidiaries	–	
26c	of which: Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the ank	–	
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**	–	
29	**Common Equity Tier 1 capital (CET1)**	5,565	
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)	–	
41	National specific regulatory adjustments (41a+41b)	–	
41a	of which: Investments in the Additional Tier 1 capital of unconsolidated insurance sub-sidiaries	–	
41b	of which: 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 + AT1) (29 + 44)**	5,565	
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	Provisions	168	C1+C2*0.45+C3
51	**Tier 2 capital before regulatory adjustments**	168	

(Rs. in millions)

Basel III common disclosure template to be used for March 31, 2020			Ref No.
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 investments12 in 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)**	168	
59	**Total capital (TC = T1 + T2) (45 + 58)**	5,733	
60	Total risk weighted assets (60a + 60b + 60c)	17,675	
60a	of which: total credit risk weighted assets	14,945	
60b	of which: total market risk weighted assets	1,806	
60c	of which: total operational risk weighted assets	923	
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	31.48%	
62	Tier 1 (as a percentage of risk weighted assets)	31.48%	
63	Total capital (as a percentage of risk weighted assets)	32.44%	
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)	7.375%	
65	of which: capital conservation buffer requirement	1.875%	
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)	25.98%	
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)	–	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	–	
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)	55	C3
77	Cap on inclusion of provisions in Tier 2 under standardised approach	187	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	NA	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	NA	
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	NA	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	NA	
84	Current cap on T2 instruments subject to phase out arrangements	NA	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	NA	

Row No. of template	Particular	(Rs. in million)
10	Deferred tax assets associated with accumulated losses	–
	Deferred tax assets (excluding those associated with accumulated losses) net of Deferred tax liability	–
	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	–
50	Eligible Provisions included in Tier 2 capital	60.95
	Eligible Revaluation Reserves included in Tier 2 capital	107.48
	Total of row 50	168.43

12. Capital-Recon Requirement

(Rs. in millions)

		Balance Sheet as in financial statements	Balance Sheet under regulatory scope of consolidation
		As on reporting date	As on reporting date
A	**Capital & Liabilities**		
i	Paid-up Capital	7,570	7,570
	Reserves & Surplus	(1,759)	(1,759)
	Minority Interest	–	–
	Total Capital	5,810	5,810
ii	Deposits	18,300	18,300
	of which: Deposits from banks	280	280
	of which: Customer deposits	18,021	18,021
	of which: Other deposits	–	–
iii	Borrowings	150	150
	of which: From RBI	150	150
	of which: From banks	–	–
	of which: From other institutions & agencies	–	–
	of which: Others	–	–
	of which: Capital instruments	–	–
iv	Other liabilities & provisions	754	754
	Total	**25,014**	**25,014**
B	**Assets**		
i	Cash and balances with Reserve Bank of India	777	777
	Balance with banks and money at call and short notice	4,347	4,347
ii	Investments:	5,678	5,678
	of which: Government securities	5,343	5,343
	of which: Other approved securities	–	–
	of which: Shares	–	–
	of which: Debentures & Bonds	150	150
	of which: Subsidiaries/Joint Ventures/Associates	–	–
	of which: Others (Commercial Papers, Mutual Funds, etc.)	185	185
iii	Loans and advances	12,663	12,663
	of which: Loans and advances to banks	38	38
	of which: Loans and advances to customers	12,625	12,625

(Rs. in millions)

		Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation
		As on reporting date	As on reporting date
iv	Fixed assets	615	615
v	Other assets	935	935
	of which: Goodwill and intangible assets	–	–
	of which: Deferred tax assets	–	–
vi	Goodwill on consolidation	–	–
vii	Debit balance in Profit & Loss account	–	–
	Total Assets	**25,014**	**25,014**

		B/S as in financial statements	B/S under regulatory scope of consolidation	Ref No.
A	**Capital & Liabilities**			
i	Paid-up Capital	7,570	7,570	A1
	of which: Amount eligible for CET1	7,570	7,570	
	of which: Amount eligible for AT1	0	0	
	Reserves & Surplus	(1,759)	(1,759)	
	of which: Statutory Reserve	365	365	B1
	of which: Capital Reserve	66	66	B2
	of which: Retained Earnings	320	320	B3
	of which: Investment Fluctuation Reserve	6	6	C1
	of which: Revaluation Reserve	239	239	C2
	of which: Balance in Profit and Loss Account	(2,755)	(2,755)	B4
	Minority Interest	–	0	
	Total Capital	5,810	5,810	
ii	Deposits	18,300	18,300	
	of which: Deposits from Banks	280	280	
	of which: Customer deposits	18,021	18,021	
	of which: Other deposits	–	0	
iii	Borrowings	150	150	
	of which: From RBI	150	150	
	of which: From banks	–	0	
	of which: From other institutions & agencies	–	0	
	of which: Others	–	0	
	of which: Capital instruments	–	0	
iv	Other liabilities & provisions	754	754	
	of which: Provision for standard assets**	55	55	C3
	of which: DTLs related to goodwill	–	0	
	of which: DTLs related to intangible assets	–	0	
	Total	**25,014**	**25,014**	
	**excludes provision for moratorium accounts			
B	**Assets**			
i	Cash and balances with Reserve Bank of India	777	777	
	Balance with Banks and money at call and short notice	4,347	4,347	
ii	Investments:	5,678	5,678	
	of which: Government securities	5,343	5,343	
	of which: Other approved securities	–	–	
	of which: Shares	–	–	
	of which: Debentures & Bonds	150	150	
	of which: Subsidiaries/Joint Ventures/Associates	–	–	
	of which: Others (CP, Mutual Funds, etc.)	185	185	

(Rs. in millions)

		B/S as in financial statements	B/S under regulatory scope of consolidation	Ref No.
iii	Loans and advances	12,663	12,663	
	of which: Loans and advances to Banks	38	38	
	of which: Loans and advances to customers	12,625	12,625	
iv	Fixed assets	615	615	
v	Other assets	935	935	
	of which: Goodwill and intangible assets Out of which:	–	–	
	Goodwill	–	–	
	Other intangibles (excluding MSRs)	–	–	
	of which: Deferred tax assets	–	–	
vi	Goodwill on consolidation	–	–	
vii	Debit balance in Profit & Loss account	–	–	
Total		**25,014**	**25,014**	

13. Main Features of Regulatory Capital Instruments

As on 31 March, 2020

(Rs. in millions)

1	Issuer	SBM Bank (India) Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	
3	Governing law(s) of the instrument	Applicable Indian statutes and regulatory requirements
	Regulatory treatment	
4	Transitional Basel III rules	NA
5	Post-transitional Basel III rules	Common Equity Tier I
6	Eligible at solo/group/ group & solo	Solo
7	Instrument type	Ordinary Equity Shares
8	Amount recognised in regulatory capital (Rs. in million, as of most recent reporting date)	7,569.58
9	Par value of instrument	7,569.58
10	Accounting classification	Equity Share Capital
11	Original date of issuance	NA
12	Perpetual or dated	Perpetual
13	Original maturity date	No Maturity
14	Issuer call subject to prior supervisory approval	NA
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA
	Coupons/dividends	
17	Fixed or floating dividend/coupon	NA
18	Coupon rate and any related index	NA
19	Existence of a dividend stopper	NA
20	Fully discretionary, partially discretionary or mandatory	Fully Discretionary
21	Existence of step up or other incentive to redeem	NA
22	Noncumulative or cumulative	Non-Cumulative
23	Convertible or non-convertible	NA
24	If convertible, conversion trigger(s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA

(Rs. in millions)

1	Issuer	SBM Bank (India) Limited
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	NA
31	Write-down feature	NA
32	If write-down, full or partial	NA
33	If write-down, permanent or temporary	NA
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Represents the most subordinated claim in liquidation
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	NA

14. Requirement for 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. Andrew Bainbridge 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 awarenes s, 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 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 utilises 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

As on 31 March, 2020

A	i) Number of meetings held by the Remuneration Committee (main body overseeing remuneration) during the financial year ii) Remuneration paid to its members (sitting fees)	Total 3 Remuneration Committee meetings were held during FY 2019-20, members were paid remuneration of Rs. 450 thousand for attending the same.
B	Number of employees having received a variable remuneration award during the financial year	Nil during FY 2019-2020
C	Number and total amount of sign-on awards made during the financial year	During the year, only one employee was paid the sign-on bonus amounting to Rs. 2,700 thousand.
D	Number and total amount of guaranteed bonus awarded during the financial year, if any	–
E	Details of severance pay, in addition to accrued benefits, if any	–
F	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms	–
G	Total amount of deferred remuneration paid out in the financial year	–
H	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred, different forms used	-MD & CEO Chief Operations Officer Head – Corporate Banking Head – Retail Banking Head – Treasury **Salary** / **INR Thousand** Fixed: 64,166 Variable: – Perks: 40 **Total**: **64,206**
I	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and/or implicit adjustments	–
J	Total amount of reductions during the financial year due to ex- post explicit adjustments	–
K	Total amount of reductions during the financial year due to ex- post implicit adjustments	–

15. Equities – Disclosure for Banking Book Positions

The Bank does not have any equity under the Banking Book

16. Summary comparison of accounting assets vs. leverage ratio exposure measure

	Item	(Rs. in Million)
1	Total consolidated assets as per published financial statements	25,014
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	–
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	–
4	Adjustments for derivative financial instruments	340
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	–
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off- balance sheet exposures)	4,586
7	Other adjustments	–
8	Leverage ratio exposure	29,940

17. Leverage Ratio

	Item	(Rs. in million)
	On-balance sheet exposures	
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	24,514
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)	24,514
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	210
5	Add-on amounts for PFE associated with all derivatives transactions	630
6	Gross-up for derivatives collateral provided were 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)	840
	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 exposures	
17	Off-balance sheet exposure at gross notional amount	6,091
18	(Adjustments for conversion to credit equivalent amounts)	(1,506)
19	Off-balance sheet items (sum of lines 17 and 18)	4,586
	Capital and total exposures	
20	Tier 1 capital	5,565
21	Total exposures (sum of lines 3, 11, 16 and 19)	29,940
Leverage ratio		
22	Basel III leverage ratio	18.59%

For SBM Bank (India) Limited

Mr. Sidharth Rath
Managing Director &
Chief Executive Officer

Place: Mumbai
Date: June 29, 2020

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