



The Art of Smart

Annual Report FY 2021





Deep and simple are far
more important than shallow,
complicated and fancy.

Fred Rogers



what's inside

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SBM Bank India

Commenced operations on 1st December 2018 as the 1st universal bank in the country to receive a banking license from the Reserve Bank of India (RBI) through the Wholly Owned Subsidiary (WOS) route. We have expanded to 8 locations (Mumbai, New Delhi, Bengaluru, Chennai, Hyderabad, Ahmedabad, Ramachandrapuram and Palghar) and have begun to build a multichannel digital product suite to cater to customer's needs.

Backed by our parent, SBM Group, we have built a respected and visible brand in the past three years. Led by MD & CEO - Sidharth Rath, the Bank's management team comprises of experienced professionals from the banking, retail and technology sectors. This talent pool is attempting to bring together the best of innovation, compliance and processes to build a new-age banking experience.

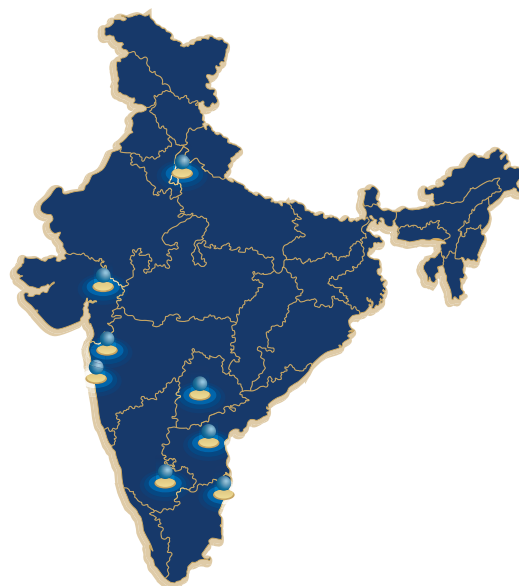
The Bank has 232 employees across the country and operates with agility, collaboration and efficiency – making it profitable in the second full year of operations since inception.

The Bank has 3 business divisions - corporate, retail and treasury – through which it caters to its customers across India – comprising of retail customers, MSMEs, NRIs as well as large corporates and institutions. Being a part of a global group, the Bank also offers seamless products and solutions to leverage its parent's Asia & Africa market presence and understanding.

Above all, the Bank is relying on an omnichannel growth strategy – with collaborations driving its journey to capture a bigger market share. This complements the investments made across physical and digital ecosystems with a core focus on technology, asset quality and prudent risk management capabilities.

Locations

- Mumbai
- Chennai
- Hyderabad
- RC Puram Medak
- Bengaluru
- New Delhi
- Palghar
- Ahmedabad



SBM Group

SBM Holdings Ltd is the third largest listed entity on the Stock Exchange of Mauritius with a market capitalization of MUR 13.5 billion as at end of June 2021.

SBM currently operates forty-four branches in Mauritius and Rodrigues, as well as eight more in India, forty-seven in Kenya and six in Madagascar. In addition to its operations in these different countries, the group aims to facilitate cross-border financing opportunities to promote trade and investment along the Asia-Africa corridor.

SBM Group offers an extensive suite of products and services that encompasses deposits, lending, trade finance, cards, leasing, treasury, stockbroking, custody, asset management, insurance and investment products, as well as a wide range of payment services. It also has multi-channel capabilities through its branches, ATMs, POS, Internet Banking, mobile banking and via its call centre.

Additionally, SBM Group is consistently ranked among the Top 1,000 World Banks by The Banker Magazine, a publication of the Financial Times.



Vision

To be one of the leading and trusted financial services providers in our geographies of presence, driven by innovation and technology.

Mission

To achieve strong and sustainable returns for our shareholders, meet the relevant needs of our stakeholders and support the development of the community at large.



Key Financial Highlights (FY2020-21 vs. FY2019-20)

Net Interest Income



up by **62.25%** from
₹ 48.18 crore to ₹ 78.17 crore

Profit After Tax

(after exceptional items)



up by **881.05%** from
₹ 1.90 crore to ₹ 18.64 crore

Net Worth



up by **3.35%** from
₹ 557.13 crore as on 31.03.2020 to
₹ 575.78 crore on 31.03.2021

Total Loan Assets

Under Management



up by **130.39%** from
₹ 1,266.25 crore as on 31.03.2020 to
₹ 2,917.33 crore on 31.03.2021

CASA



up by **230.79%** from
₹ 248.55 crore as on 31.03.2020 to
₹ 822.19 crore as on 31.03.2021

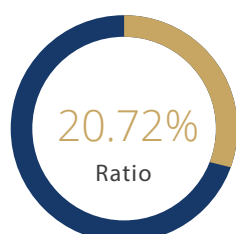
Total Assets

Under Management

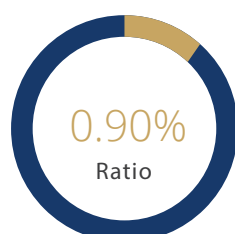


up by **91.54%** from
₹ 2,474.26 crore as on 31.03.2020 to
₹ 4,739.30 crore as on 31.03.2021

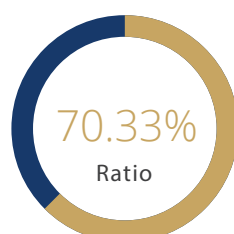
Ratios



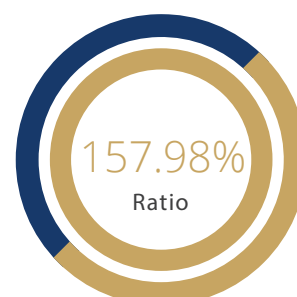
Capital
Adequacy



Net NPA



Provision
Coverage



Liquidity
Coverage

“

We chose to take a collaborative approach – by building a strategic ecosystem of aligned fintechs & NBFCs, based on tenets of trust, speed, problem-solving and empowering stakeholders.

”

Sidharth Rath

MD & CEO, SBM Bank India



MD & CEO's review



Adversity often urges us to push our boundaries, tap ideas and talents, which in times of comfort would often lay unexplored and forgotten.



Sidharth Rath

MD & CEO, SBM Bank India

MD & CEO's Review

Grit and *Smarts* to do more

The past year has proven to be one of the most challenging periods in our living memory, with deep-running disruptions and impact to daily life and business as we knew it, triggered by the pandemic. What this also saw was the birth of a “new normal” that struggled and succeeded in finding a way around the constraints and adversities to build a semblance of familiarity, ease and comfort into the way we went about the business of life and business itself. While apprehensions of the likely repercussions of a third wave looming on the horizon remain, there is a streak of searing confidence that cuts through it, stemming from having armed ourselves with skills, way-about, technology and knowledge to fight and survive what lies ahead. The rapid pace of vaccination in India gives us the confidence to overcome the challenges and move ahead on a positive note.

While the obstacles continue, the past 20 months have also witnessed many a reform and economic package that have kept critical sectors afloat and competitive amidst these unprecedented times. Technology featured prominently as an enabler in the pandemic existence – allowing us to take our work and learning anywhere, value-add to the economy efficiently, transact and take essential services to every nook and corner of the country.



The amplified use of digital modes of operations and ingenious utilization of technological capabilities during the pandemic has had far-reaching effects.



Several young enterprising professionals are relocating to smaller towns and villages – starting new business ventures or expanding existing ones thereby contributing towards rejuvenating local economies. Start-ups and MSMEs continue to wade through supply-demand uncertainties by revisiting business models, aligning them to the current economic climate, broadening and digitizing modes of distribution and relying on financial aid packages to help them wade through especially turbulent times.

A rapidly evolving Indian landscape

The travel and business constraints triggered by the pandemic also infused a sense of urgency in the Indian banking sector to find smart, efficient, digitally-driven and real-time solutions that could help banks remain connected with their customers and provide uninterrupted services and quality products to them. With customers restrained from visiting branches, digital platforms ensured banking continued to be a seamless experience sans location. Branch banking too continued to cater to the last mile emergencies; despite a marked preference was exhibited among customers for digital channels of banking. This overt reliance on technology also laid bare the perils of legacy systems in the banks. At the same time, the line between fintechs, differentiated banks and mainline banking participants is rapidly eroding – especially when it comes to catering to the



needs of the underbanked and the millennial customers. The corporate customers including the MSMEs are increasingly looking at efficient funding mechanisms – which is propelling the demand for organized banking players vs. the traditionally preferred NBFCs. In parallel, the real private consumption is normalizing and the resumption of economic activities in the coming months is also expected to get the Indian economy back on track for a double-digit growth in FY2022. The stage has therefore been set for agile banks who can marry the needs of the consumer, across the landscape, from urban to the hinterlands, the stay-at-home mother to the suave businessman, with technological capabilities around bill payments, settlements, credit and remittances and most importantly, convenient digital customer onboarding and servicing.

Taking “Banking” and not just the “Bank” to the customers

Ever since our inception, the focus was to build a differentiated proposition in an otherwise cluttered Indian banking sector. In doing so, we invested in scalable technology as well as customizable multiple channel delivery platforms. This was in line with our strategy to deliver “banking” and not just the “bank” – with a core focus on accessibility (secure and dependable), affordability (competitive rates and solutions) and availability round-the-clock, to cater to the underbanked, overbanked as well as enterprising customers. Towards this, we chose to take a collaborative approach – by building a strategic ecosystem of aligned fintechs and NBFCs, based on tenets of trust, speed, problem-solving and empowering stakeholders. In doing so, we partnered with these collaborators to not only expand our value proposition; but more importantly to enable these partners to cater to the chosen customer segments better by combining primary banking services with the

tech-driven novel customer acquisition methods and servicing capabilities of the partners, thus enabling us co-create and customise niche and targeted product offerings.

Growth achieved through the empowerment of our customer universe

Our digital forward and collaboration strategy is leading to a sustained value creation for our stakeholders. In 2020-21, we posted a 61.64% increase in our total income to Rs. 315.24 crore and a 10-fold increase in net profit to Rs. 18.64 crore. Our EBDTA was 10.61% (up 347 bps against FY19-20), while our net profit margin was 5.91% (up 494 bps against FY19-20). While we are a young bank, we are dedicated towards keeping our operations profitable amidst growing volumes and scale in the coming years. This belief demands continuous scrutiny of internal processes and sustained improvements across functions, building efficiencies in cost and human effort along the way. Being a team of motivated professionals, we at SBM Bank India continue to pave a path towards becoming a preferred banking partner for our peers, non-bank players in the BFSI space and our customer universe.

Upholding our commitment to the stakeholders

One of the key examples of the motivation displayed by our teams was during the first and second waves of the pandemic - with lockdowns and limitations imposed across key cities, our frontline warriors continued to ensure uninterrupted and timely customer service at branches. Each team serving at the frontline was equally supported by their colleagues from remote locations. Being the head of this family, it is my absolute honour to extend my heartfelt gratitude to each and every member of our workforce for keeping the needs of the customer above their own through particularly arduous times.

Wiser, Braver and Readier for what lies ahead

How will the current year turn out is an open question. Given the fact that the COVID-19 virus has mutated and we may well be on the brink of a third wave; the year 2021-22 will be all about a dip and surge format of growth and recovery. While we would not hazard a guess on what lies ahead in the immediate future; we would however

reiterate our confidence in the macros and demographics that define this nation of 1.3 billion people. At the same time, banking has come a long way from the traditional brick-and-mortar model to the “anytime, anywhere always-on model” that favours a digitally-driven and immensely scalable strategy. While the technology platforms will provide their differentiated product propositions; the demand for hardcore banking services will be a great unifier for such platforms. Ultimately however the legacy systems will face tough challenges from the on-demand ecosystem, given the heightened preference for agility, reliability and convergence towards the new normal.

We have in our first two full years of operations, set a strong foundation, which we will continue to build upon in the next few years. I remain optimistic on the times to come and our ability to ride the tide as well as sustain the upward momentum amidst whatever storms there may be. I would like to thank all the stakeholders of our Bank for their continuous and unrelenting support to us since our commencement of operations.

EVERYTHING IS A MATTER OF CHOICE,

let's make
Smart ones.



The Art of Smart



The Art of Smart

Welcome to the unprecedented times. The uneven moments. The unpredictable outcomes. The unsure decisions. 2020-21 was one such year that potentially redefined all our worlds, our priorities, and our focus. The year of work from home, lockdowns, travel bans and compulsory masking broke most of our beliefs and laid foundations for a new way of life – be it in terms of how we work, or study or socially engage or even bank.

It is said that events like these not only shape the future but more importantly, define the character. It was a puzzling year and being a new age Bank that loves to push a little harder, we implemented '*The Art of Smart*' in navigating this uncharted terrain.

We focused our energies on refining our strengths – technology, agility in decision making, collaboration as well as global reach.



'The Art of Smart' encapsulates small steps that help us understand, define, iterate, improvise and finally solve the challenges at hand; but more importantly, often they led us to create a larger impact in terms of empowering our customers, partners, employees and other stakeholders to be more, do more and aspire for more.

Being a new bank operating in an economy with huge scope for penetration, but within a crowded segment, we focused our energies on refining our strengths – technology, agility in decision making, collaboration as well as global reach. Our focus was to tap into the emerging opportunities and leverage them to grow across specific customer segments. In 2020-21, our efforts not only resulted in further cementing our credentials as a challenger brand; but more importantly, helped us build an efficient and smart ecosystem – aimed to acquire, empower and inspire.

Turn the pages to gain a complete insight on 'The Art of Smart'.

EXPANSION IS GOOD.

Empowerment is *Smart*.



Being a new-age agile Bank, we are constantly focused on leveraging innovation in everything we do. While technology has enabled branchless banking, the concept of branch banking still remains highly relevant in relationship-led banking outreach, especially for certain customer segments and geographies.



In the year 2020-21, when we opened our 7th branch in India at Palghar, *'The Art of Smart'* came in handy. Novel challenges needed innovative solutions, and we delivered successfully.



To start with, the remote location by itself was a challenge. However, we saw the opportunity to reach diverse audience—from affluent NRIs to underserved rural customer segments. The availability of limited space for the branch was yet another challenge. We chose to innovate, and that led to the birth of probably one of India's first in-container branch! This unique idea helped us navigate the constraints of space and cost, and at the same time, present a novel experience to our customers, and the world. SBM Bank India's Palghar branch is a small expression of our support to ecology and is today the most environmentally conscious representation of the brand.



With the branch in place, we had yet another challenge to navigate —the constraints of working hours. One of the largest customer segments in Palghar is the migrant workers, who usually leave for work before the start of regular banking hours, and return when bank branches normally close for the day. We chose to extend branch hours – by roping in banking correspondents in the adjoining villages and towns. With some guidance and support, these entrepreneurs manning smaller Kirana stores are now offering an essential banking service within their communities, well beyond the usual working hours of a bank, and also enjoying an additional source of income through this initiative.

While we continue to expand, today, more women kirana owners are being empowered every day.

Necessity breeds smart thinking, and using it to improve lives is celebrating 'The Art of Smart'.



DISTRIBUTION IS GOOD.

Enhancing disruption is *Smart.*



We are among the youngest universal banks in India — operating in a highly competitive segment comprising of players of all shapes and sizes including the mainstream players and challengers - differentiated as well as aspirants, each having niche strengths in terms of technology, access to markets, loyal customer base, and in-depth domain expertise. Ever since our inception, we have been leveraging partnerships to combine our complementary strengths and reach a wider audience base through distribution and implementation of proven technology.



To take this a step ahead, we've been exploring smart new ways to leverage our synergies and boost our collaborative growth. The focus, therefore, is tuned to *Smart* distribution leveraging existing and partner built networks and not mere distribution. Towards this, we have explored opportunities to co-create, design and deliver customised products for varied customer segments. We have used our size as our advantage to reduce time to market and implement plug-and-play strategies – without compromising on internal policies on asset quality, data sanctity and security.



Focusing on such *Smart* distribution through collaborations has not only deepened our relationships with the fintechs and NBFCs; but more importantly, it has enabled us to expand through a win-win proposition. These products not only expand revenue streams for all parties, but more importantly, ensure a deeper bond with the end customer for sustained business success for the future.

Taking the road less travelled is 'The Art of Smart' for those who know where they wish to go.



AMBITION IS GOOD.

Action is
Smart.



In today's world, opportunities are aplenty. Therefore, the risk of being distracted is equally eminent.

Banking has become so embedded into the everyday lives all over the world, that being "everything to everyone" has become a vision for players large and small alike. To see through the distractions and the ability to sift through the sea of opportunities is perhaps the smartest move now! Being a small and young bank, we continue to focus on our key strengths and areas that complement our objectives. However, our cautious approach doesn't come at cost of quality growth. It emanates from our core strengths of global lineage, strong team experience and an agile, scalable systems infrastructure.

We cater to an ambitious country with one of the largest diasporas across the Indian Ocean region.



Add to it, the country leads among the pursuit of overseas education as well as medical tourism. Sensing this opportunity, we focused on leveraging our global reach for the benefit of our customers.

Being an Indian bank but also having a global legacy has its distinct advantages. While we offer solutions to support the ambitions of our clients across the Indian Ocean region owing to our footprints in Mauritius, Madagascar and India; we are also using product innovation to facilitate action using the dual currency account. Being amongst the very few Banks in the country to offer this innovative product, we facilitate implementing goal-based savings around global education as well as healthcare expenses for our clients and customers.



These exclusive access strategies with global linkages have also enabled us to breach the ultracompetitive wealth management space with the launch of

 **SBM private wealth**

During 2020-21, we recorded substantial growth, largely due to our ability to offer diverse solutions with impeccable customer service.

Consequently, we continue to leverage our global reach to a host of corporate customers and collaborators through our revolutionary remittance solutions platform. This helps our collaborators deepen their relationships with their customers.

To identify one's strengths and capitalise upon them, rather than waiting for the perfect opportunity is 'The Art of Smart'.

SELF IS GOOD.

Social is
Smart.



Banking is at the confluence of technology, retail and financial needs. For a Bank to be a preferred destination, getting out of its comfort zone to proactively engage with customers, and continually evolve and enhance its delivery is a *Smarter* strategy.

At SBM Bank India, we have continued to evolve too. Being a new Bank, we have had a huge advantage of learning from the ecosystem around the globe. In 2020-21, we expanded our presence from branch and internet banking to mobile banking. Our new-age mobile banking app was designed to offer a seamless and secured experience to our customers. During the year, we registered significant downloads and commanded good user experience feedback. We continue to add more features to our mobile banking app, to make it increasingly relevant in an omnichannel post-pandemic world.



As a conviction to our collaborative strategy, we have focused on building a liability-led book. This approach offers us the luxury of platform-based banking. We believe that the future lies in taking banking to people who need it at their preferred point of access – be it for a transaction, a product or a service. The future is equally cued towards branch banking – as India is still evolving to instil digital behaviour across large sections of society.



The future of banking also lies in scalable infrastructure and data. We have believed in implementing smart banking architecture – which not only enables us to connect to our collaborators with ease; but more importantly, helps us to stay ahead of a fluid technology curve with incremental spending. We continue to invest in our data capabilities with customer privacy and security at its core.

The recent pandemic has contributed towards accelerating this shift to a digital-first world. In such times, it is imperative that we reach and engage with our customers and the world at large, on platforms they access and spend time on. In 2020-21, we expanded our social media presence, and revamped our communication across social platforms, with the objective of being more present and accessible to the customers.

With banking becoming leaner, sharper, and hyper-personalised, banks are consistently vying to define the next phase of evolution. Always thinking from a customer point of view and being welcoming of their feedback and suggestions can play a decisive role.

The future is social, and being open to new ideas is 'The Art of Smart'.

INTELLIGENCE IS GOOD.

Inspiring is
Smart.



With COVID leading to a digitised world with remote access, we continued to put a human touch across our operations. Our employees continued to define our culture and belief in customer-first philosophy. Despite the waves of COVID, our motivated teams continued serving customers as frontline essential warriors. At the other end, those working from home contributed seamlessly towards empowering the in-branch teams. Each branch was sanitised and secured to break the chain and the teams continued to deliver personalised and technology-led remote tools to service the banking needs of the customers across the country.

From the Bank's side, we conducted vaccination programs for our employees and their families to ensure their well-being and safety. Our efforts towards the health and mental wellness of our teams coupled with special leaves and allowances enabled us to command greater respect among our people.



This inspiring set of teams across the echelons of the Bank comprise of a mix of enthusiastic and passionate professionals from diverse industries. We further ensure a transparent work culture with an open door policy as well as merit based reward systems. The Bank takes sustained efforts around building capabilities through various training programs as well as upskilling professionals across its locations. In 2020-21, we invested manhours into training and development of our teams – which was primarily through virtual mediums.

All work and no play makes any place dull. At SBM Bank India, we continued to celebrate the achievements and efforts of our team members across our offices. During the year, we also celebrated our 2nd Foundation Day virtually.

A good place to work in, is driven by intelligent people, while the best places to work in, are led by inspiring leaders who believe in 'The Art of Smart'.



Board of Directors



**Mr. Sattar Hajee
Abdoula**
Chairman*



**Mr. Raoul
Gufflet**
Non Executive Director



**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 Sundar
Barik**
Independent Director



**Mr. Umesh
Jain**
Independent Director



**Mr. Sidharth
Rath**
MD & CEO

*Designate

Management Team



**Mr. Rajeev
Panikath**
COO



**Mr. Narendra
Patra**
Chief Risk Officer



**Mr. Dipak
Agarwal**
Head - Corporate
Banking



**Mr. Neeraj
Sinha**
Head - Retail &
Consumer Banking



**Mr. Mandar
Pitale**
Head - Treasury



**Mr. Sailesh
Shah**
Chief Financial Officer



**Ms. Sajitha
Pillai**
Head - HR



**Mr. Sachindra
Kumar Rai**
Chief Compliance
Officer



CSR Initiatives @ SBM Bank India

CSR Initiatives @ SBM Bank India

Every business has two priorities – to create value for its stakeholders and to play a constructive role towards the betterment of the lives of the communities it engages with. Sometimes it's hard to walk the thin line. But balance is an art perfected with patience, perspective and performance.

Being a young Bank, we have instilled the core value of "Doing well by doing *Smart*" and focused on initiatives around healthcare and sanitation, women empowerment, poverty alleviation measures, education and skill development programs and furthering the cause of environmental sustainability and rural development. To pursue these goals and more, we have instituted the CSR Committee of the Board.



Some of the initiatives taken during 2020-21 are:

- Contributed INR 1 million towards the PM Citizen Assistance & Relief in Emergency Situations (CARES) Fund.
- Our employees further contributed INR 2 million towards the PM Cares Fund.
- We partnered with ISKCON Govardhan Village, for their Govardhan Annakshetra Programme (Food Relief)- and funded the distribution of 2000 food packets to tribals in the Palghar district at the peak of COVID to alleviate food supply disruption.
- We partnered with Le Rythme Trust, which provides skill development training through "Rythme School of Music", by organizing and presenting "Best in Class" musical events across the country, to provide a platform to showcase the talents of the underprivileged children.

MANAGEMENT

Discussion & Analysis



Economy Overview

2020-21 was headlined by an unprecedented health crisis that stopped the global economy on its tracks. Nearly all the countries faced the wrath of the pandemic in terms of erosion of economic wealth. India took a precautionary approach by instituting its longest lockdown took its toll while mitigating the risk of a large scale infection during the first wave.

The Indian economy declined by 20% in the Q1FY21 and reflected in sharp dip in the consumer confidence. The Government of India came up with a slew of measures to revive the economy crawling out of a lockdown in a phased manner. The financial stimulus announced to the tune of 10% of the Indian GDP for key industries including manufacturing and agriculture sector kept the recovery hopes on the horizon. At the same time, the Government along with the RBI announced loan moratoriums, lower interest rates, unsecured loans for MSMEs, etc. to improve liquidity and limit increase of non-performing loans in the system.

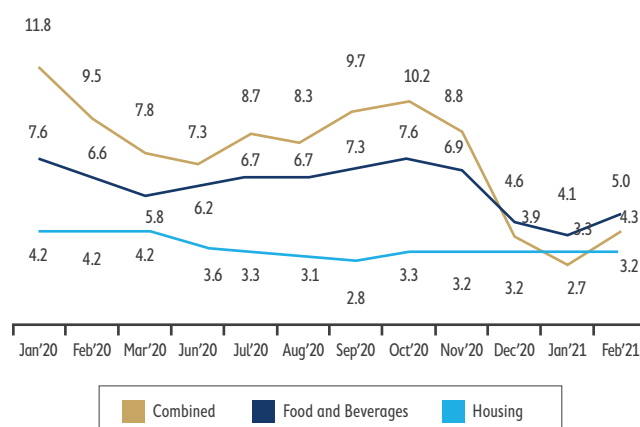


On the positive side, the policies made by various State Governments on economic packages as well as a good monsoon, led to strong revival of the consumer sentiment during H2FY21. By Q3FY21, the spurt in economic activity based on revenge shopping and revenge travel raised hopes for a V-shaped recovery. However, owing to the second wave at the end of FY21, the economy once again demonstrated a sharp decline – with the FY21 GDP expected to have contracted by around 7% as per the estimates.

The focus of the Government continues to be around stimulating demand by investing into infrastructure, hospitality, healthcare and empowering start-ups and manufacturing sector. The year also witnessed key laws and policies passed around agriculture, industrial relations and healthcare sectors – setting the momentum for reforms.

Inflation

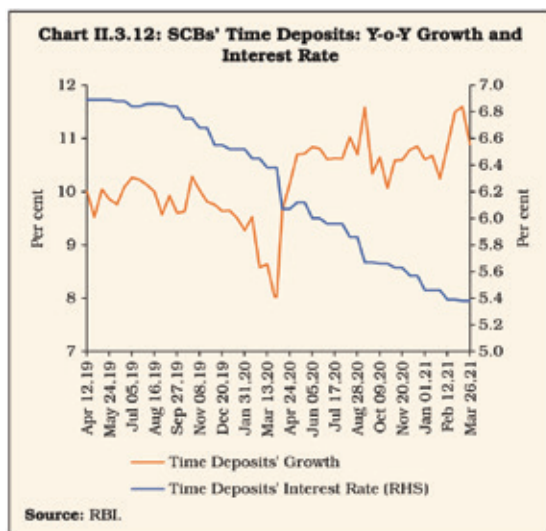
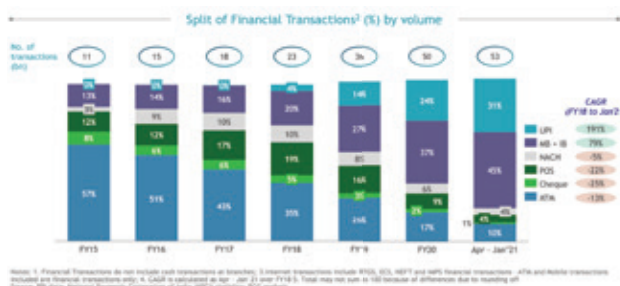
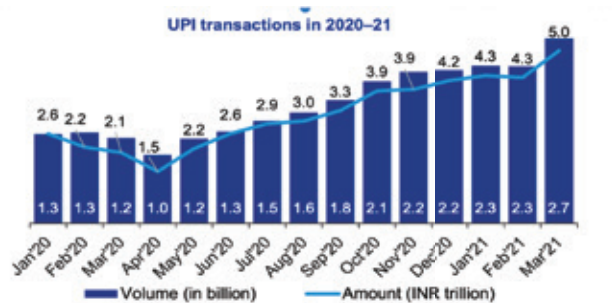
CPI inflation rate in 2020-21 (percent)



The highlight of FY2020-21 was the breakthrough in vaccine production in the country. By the end of the year, the country has four indigenous vaccines and successfully kicked off its mass vaccination campaign for citizens.

Banking Sector Overview

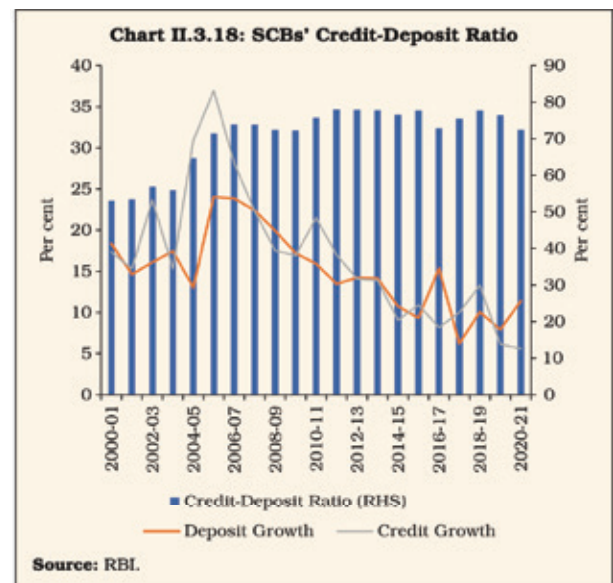
While the focus for the year was on cushioning the customer by deferring the liabilities, reducing the interest rates or offering new loans; the banking sector continued to be at the frontline at India's fight against Covid. The year witnessed an acceleration in the adoption of digital banking and transactions as preference towards cash reduced. The in-branch transactions declined significantly owing to the lockdowns. However, the banking sector teams ensured safe, socially distancing compliant operations in branches as part of essential services.



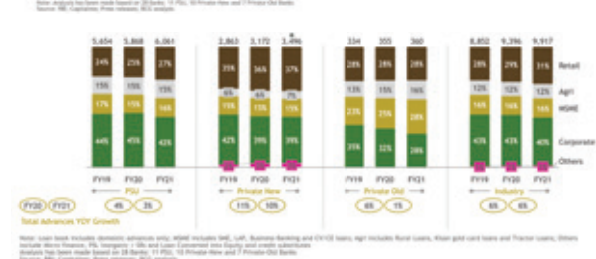
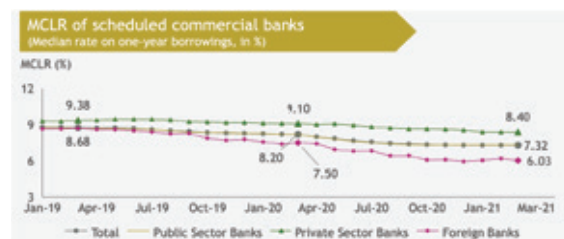
Credit

With the extant policy prescription of 3.5 percent and 18 percent for CRR and SLR, respectively, around 79 percent of the deposits were available with the banking system for extending credit.

However, SCBs' credit-deposit ratio moderated to 72.4 percent in 2020-21 from 76.4 percent a year ago, largely reflecting the subdued credit demand conditions in the economy even as deposit mobilisation remained robust.



The Reserve Bank of India reduced repo rates 120 bps between March 2020 and June 2020, in an effort to revive economic sentiments and reduce the consumer burden. At the same time, the credit growth shrunk despite interest rate cuts.



This was an outcome of an already downward economic sentiment carried over from FY2020 and further aggravated manifolds by the pandemic in FY2021. However, the deposits in the Indian banking system went up during FY2021. At the same time, the Banks relied on retail customers and the MSME sector to revive growth sentiments – with credit appetite among large corporates declining.

Outlook

The tumultuous events of FY2020-21 continue to resonate in FY2021-22. With the second wave proving fatal and reflected poor infrastructure of the Indian healthcare system; it came at a time when the economy was still limping back. However, despite the short-term, India is expected to become one of the fastest-growing economies post-pandemic. The vaccinations have crossed 50 crores and the global funds are pitching India as a growth economy – to derisk their strategic presence and interests. At the same time, the demographic dividend, coupled with a host of economic reforms, infrastructure investments, mass digitalisation and policy initiatives has set India on a growth path.



About SBM Bank India

SBM Bank (India) Limited “SBM Bank India” is the first Bank to receive a universal banking license from the Reserve Bank of India to set up and operate as a Scheduled Commercial Bank under Wholly Owned Subsidiary (WOS) mode offering banking services in India. SBM Bank India has a network of 8 branches located in Mumbai, Delhi, Chennai, Bangalore, Hyderabad, Ramachandrapuram, Palghar and Ahmedabad. SBM Bank India has profound domain expertise and is led by a core team comprising of industry veterans having over a century of cumulative experience in banking and financial services. The Bank is headquartered in Mumbai and has more than 200 employees.

Year 2020-21

The Bank continued its growth momentum during FY2020-21. Being the second full year of operations, the Bank focused on launching new products, expanding its customer base and improving its digital offerings. The pandemic helped us become more agile, secure, flexible as well as future-ready for the new normal. Our employees continued to define our customer-centric approach even in the face of the pandemic. Our branches continued to serve the customers with holistic security and social distancing in place. This was further complemented by our robust IT and digital infrastructure, which we continued to refine and align to the evolving customer needs.



Key Operational Developments

Expansion of Smart Banking: During the year, we expanded our customer reach through strategic collaborations to bring a comprehensive product suite to our customers - from loans and cards, to banking, payments and remittance solutions. These Smart Banking collaborations have enabled us to cater to varied segments more effectively.

Stepping up digital offerings: The year witnessed an accelerated shift to digital banking, and hence the launch of our mobile banking app could not have come at a better time for our customers. Our Net Banking experience too underwent a revamp and upgradation with the objective of significantly enhancing customer convenience. The substantial App downloads across app store and play store, and a surge in our net-banking logins are encouraging indications for us to keep stepping up our digital banking experiences—on-lap and in-hand.

Steadily building a robust portfolio: While size of the portfolio is key, the asset quality and serviceability are of paramount importance. We have invested in data analytics, sustained client relationships, and checks/balances on the credit behaviour of our clients to ensure that processes keep pace with business growth and the growing customer demands and expectations.



Financial Performance

Our total deposits registered an increase of 110.66% from Rs. 1,830.03 crore in FY2019-20 to Rs. 3,855.18 crore in FY2020-21. On the other hand, our total loan book or advances registered an increase of 130.39% from Rs. 1,266.25 crore in FY2019-20 to Rs. 2,917.33 crore in FY2020-21. This was owing to the combined effect of scale – both from additional branch networks and collaborative outreach. Our total income for the year increased by 61.64% from Rs. 195.03 crore in FY2019-20 to Rs. 315.24 crore while profit after tax jumped to Rs. 18.64 crore. Our net interest income, accounted for 24.80% of the total income during FY2021, clocked a growth of 62.25% to Rs. 78.17 crore during FY2020-21. Our capital adequacy ratio stood at 20.72%, against the statutory minimum of 11.875%. The Bank's net worth as of 31st March 2021 stood at Rs. 575.78 crore, up by 3.35% as compared to 31st March 2020.

Corporate Banking

Our Corporate Banking vertical accounts for 87.92% of our total loan book as well as 62.80% of our deposits. Revenue of this segment consists of interest earned on loans made to corporate clients, interest earned on cash float and fees received as processing fees and from fee-based activities like debt arranging /syndication, letter of credit, guarantee, etc. The revenue also includes income from transaction banking activities such as forex, commission, and inter-bank activities such as Vostro, Nostro, etc.

The major expenses of this segment consist of interest cost on funds borrowed, personnel costs and allocated expenses. The Bank caters to the holistic requirements across corporate banking including trade finance, corporate financing, as well as partnering financial institutions.



During the year under review, the corporate banking business gross revenue registered an increase of 82.11% to Rs. 176.75 crore. While the fund based advances increased by 121.52% to Rs. 2,979.52 crore; the non-fund based exposure increased by 174.46%. Owing to the pandemic, while the first quarter of FY2020-21 witnessed lower demand from corporates; the latter part, riding on the Government announced stimulus, saw a resurgence of demand. The Bank remains sector agnostic and usually focuses on each business separately. The Bank continued to forge long-term partnerships with entities having an MSME customer base. At the same time, by partnering with fintechs, the Bank further strengthened its trade finance solution.

The Bank's parent SBM Group enjoys huge trade patronage especially from the Indian Ocean Region and Africa. This presence in East Africa and Mauritius also helps SBM Bank India to leverage the Group's geographic network in the Indian Ocean region to add value to our clients. At the same time, we have associated with partner banks globally across geographies including Europe, US, SAARC, South Asia, Oceania, Middle East and Africa region. The Bank is also a full-fledged INR clearing service provider for the Indian Rupee, and it stays well equipped to cater to its partner clients for INR Vostro Account relationships.

The launch of the new workflow movement Trade Zone portal has firmly placed the Trade Finance and Cross Border Remittances on an upward growth trajectory.

We have also stepped up our efforts to strengthen payment infrastructure through revamped Corporate Internet Banking (CIB) and offering hassle-free solutions w.r.t. domestic as well as foreign exchange exposures, for all transactional banking needs.

Retail and Consumer Banking

SBM Bank's Retail Business is built to cater to a wide range of customer sub-segments.



The year 2020-21 was a challenging year but the Bank registered a growth of 23.64% in terms of its retail deposits and 238.00% in terms of its retail advances.



As on 31st March 2021, the Bank's total retail deposits stood at Rs. 1,211.47 crore, while retail advances stood at Rs. 359.86 crore. This segment's revenue arises out of personal loans, housing loans, and other retail lending products.

Our Bank is at a nascent stage of growth – given the third year of operations. The advent of the pandemic, therefore, didn't impact it as much as it did to the much larger players. However, the events did reinforce the values of discipline, consistency and efficiency – thereby setting the stage for better performance during the year. The Bank used this time to sharpen its business focus and roll out its presence to strategic sub-segments of the retail landscape.

During this year, the Bank expanded its portfolio of Savings Bank Account to include customised offerings for the family as well as children – with attractive rates of interest and premium account features. Being a new Bank, allows it to dig deeper into niche pockets of opportunity and design more engaging products.

The Bank sees a huge opportunity going forward in the Home Loans and Loans Against Property segments. However, the focus of our Bank remains in ensuring its growth doesn't deter its principles of good asset quality.

Our Bank also fortified its digital presence during 2020-21 – by launching its mobile banking app. This initiative complemented the Bank's hybrid model of offering solutions and products in an online-cum-offline world. The mobile app offers a host of products at one's fingertips, with added security and customisation. The focus with net banking and mobile banking has been to offer a reliable user experience every time. This digital presence boosted our Bank's brand and presence across multiple centres in the country. This also ties in with the core strategy of "Bank from anywhere" in a new normal.

Our Bank also spruced up its presence in the Payments Business by offering a host of products including the traditional debit cards with super-premium benefits as well as prepaid cards to cater to customers with low value transactions. The era of cashless transactions as well as online payments enabled the Bank to design better products along with its collaborators comprising of fintech. The Bank opted for a collaborative smart banking approach of working with fintech not to distribute its products but largely to offer customised products for their customers.

The Indian fintech has an edge of being agile and efficient to reach out to masses and specific customer segments.

The Bank, through its Smart Banking strategy, empowers a highly underbanked segment while managing asset quality through traditional banking parameters.



During the year, the Bank added two new branches – one each in Palghar and Ahmedabad. Being a curtailed year owing to the pandemic, the branch expansion plans were deferred and will take off with normalcy returning in the coming months.

In 2020-21, the Bank also partnered with leading insurers with the objective of offering customers easy access to a variety of insurance solutions. The Bank aims to collaborate with various financial services companies in the future to offer customers an expanded product portfolio that enables them to make smart financial choices.

The Bank has also forayed into Private Wealth and NRI Banking, leveraging its parent expertise and network, to serve Indian diaspora overseas. The Bank offers customised and personalised solutions in terms of planning and managing client's investments. During 2020-21, the Bank arranged multiple engagement sessions among its customers to facilitate transparent, accessible and efficient communication during a work-from-home environment.



Treasury

Our Bank's Treasury vertical comprises of the following core functions:

- ALM market-facing activities comprising of management of Liquidity, Reserves, Liquidity ratios and Core Investments
- Proprietary Trading in Rates, Equity and Foreign Exchange
- Foreign Exchange Merchant desk catering to client flows and providing solutions to the clients for their exposures in foreign currency

Given the pandemic, the Central Bank resorted to accommodative policies and high liquidity infusion to stop the slump. At the same time, with businesses closed due to restrictions, the focus of companies and government was fixed on public healthcare and empowerment spends. To top it all, the volatility in the markets complicated the treasury management's mandate. In such times, SBM Bank relied on generating returns by mitigating risks through technology and consistent portfolio surveillance. In achieving this, the Treasury vertical continued to deploy its resources for optimum returns while reducing the volatility presented by the environment.

The Asset Liability Management Unit managed various regulatory requirements including Cash Reserve Ratio (CRR), Statutory Liquidity Ratio (SLR), Liquidity Coverage Ratio (LCR), Intra-day Liquidity (IDL), High-Quality Liquid Assets (HQLA) as prescribed by the Central Bank and other governing bodies. In addition, the Desk manages the day-to-day liquidity requirements of the Bank in domestic and foreign currency through appropriate funding and deployment avenues. The Bank's Treasury desk also contributes towards the liquidity and resource mobilisation strategy proactively managing the Structural Liquidity with an optimal mix of sources of funds.

This desk is also instrumental in communicating with Rating agencies for short-term as well as long-term rating assessments for the Bank. In FY2020-21, Bank has achieved an A1+ credit rating from ICRA for its 500 Cr Certificate of Deposit issuance program indicating a very strong degree of safety regarding timely payment of financial obligations and thus carrying the lowest credit risk. This rating was reaffirmed during the recent assessment for the financial year 2021-22 carried out by ICRA during May 2021.

The Trading Desk trades in permitted assets classes under Rates, Equity and Foreign Exchange. It is instrumental in taking proprietary positions in Government Bonds, Corporate Debt, Equity and Currencies basis views on various Micro and Macro Economic parameters and other market indicators.

Foreign Exchange Merchant desk catering to client flows and hedging solutions offers tailor-made products and services to its clients, based on their specific requirements. Desk strives to align with the best practices followed globally and leverage technology to deliver bespoke solutions and a user-friendly experience.

The product suite includes:

1. Foreign Exchange Remittances and Conversions – USD INR and Cross Currencies
2. Hedging of client's future foreign currency flows (foreign currency payable or receivable) with Forwarding contracts and Foreign Currency Options
3. Other Foreign Exchange over-the-counter services such as Currencies and Traveller's Cheque

This desk is also instrumental in mutual discussions to arrive at the final mutually acceptable terms and conditions facilitating the execution of ISDA for derivatives transactions with Scheduled Commercial Banks.



Information Technology

SBM Bank India has continued to invest in its digital prowess since its inception. The focus always was to build an always-on, anywhere and ever-reliable plug-and-play platform that could be scalable and secure at the same time. In doing so, the Bank took the 'smart banking approach' – in building its core. This strategy was tested and led to sustained success during the pandemic – enabling our team to seamlessly connect, operate and serve across remote 'work from home' environments. At the heart of this strategy remains the belief that banking is at the core of what we do and outsourcing the non-critical functions to reputed companies leads to unparalleled convenience, flexibility and above all security for our stakeholders. The Bank has hosted its technology infrastructure at Tata Communications data centres.

The Bank continues to accelerate its collaborative strategy, which demands a highly secured and flexible platform to enable the partners to connect their systems. The Bank has consistently strived to make this process smoother by opting for consistent upgrades. Operating in a gig economy offers due flexibility for the Bank of a decent size to offer a high-security infrastructure. However, The Bank conducts continuous system audits to check and address any potential risks in the process. The Bank implements a robust disaster recovery plan across locations and continuously upgrades it to meet the ever-demanding security needs of a fast-paced digital-first world.

As a digital-first Bank, SBM Bank continues to lead the new normal owing to its investments and capabilities in digital. With the pandemic expected to subside and banking operations expected to resume normalcy, the hybrid banking comprising of online and offline will continue to be preferred. At the same time, the investments and efforts made to fortify its digital suite and core infrastructure system would continue to reap rewards through secured access for customers.



Information Security

Our Bank operates in a highly automated environment and makes use of the latest technologies to support various operations. Further, the Bank has engaged with multiple Fintech partners which is one of its key strategies for growth. Being in the services sector, Information Security and Data Protection are of paramount importance. The Bank has put in place a governance framework and a board-approved information security policy and Cybersecurity policy to mitigate information technology-related risks.

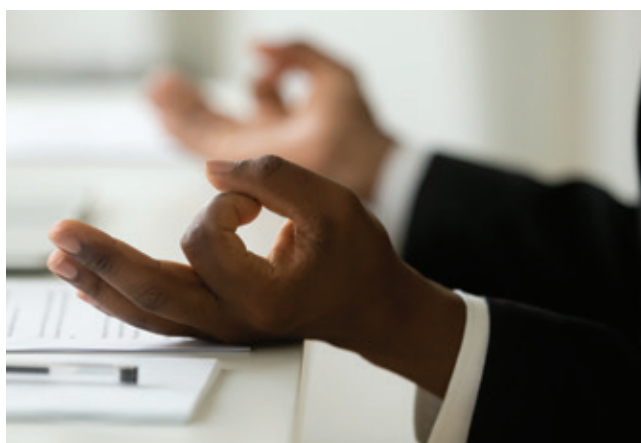
While cyber threats and cyber-attacks like hacking, phishing, ransomware and other means, resulting in disruption of services or theft or leak of sensitive internal data or customer information are growing, our Bank has invested in preventing and protecting against such attacks. The Bank has also invested in detect, respond, and recovery mechanisms for any eventualities. Controls such as firewalls, anti-malware, anti-advance persistent threats, Intrusion prevention/detection, 24*7 security operation centre, Honeypot solutions, etc. have been put in place.

The Bank conducts vulnerability assessment, penetration testing, application security testing, secure configuration reviews, source code review and red teaming exercises of its IT systems and environment through an external entity. Gaps reported by such exercises are remediated by the IT team.

The Bank has an independent information security team headed by a Chief Information Security Officer reporting to the Chief Risk Officer. The Information Security Steering Committee (ISSC) chaired by the MD of the Bank is the apex decision-making body in the Bank for information security-related issues and meets monthly. The ISSC reports to the IT steering committee of the board which is headed by an Independent IT Director.

Thus, the Information Security team continues to facilitate growth via

- 1) Securing Digital initiatives (Bank IT and Fintech)
- 2) Sustaining operational effectiveness and efficiency through secure Work-from-Home in the pandemic
- 3) Adapting and updating Cyber Defence framework to counter new-age threats and
- 4) Continuous information security awareness for employees and customers



Human Resources

During such a challenging year, employees were at the core of our Bank's priorities. The Bank continued to support the frontline warriors with proactive initiatives around safety, security and wellness throughout the year. While several employees were serving the customers from the physical branches, the Bank ensured a culture of information sharing and awareness building to ensure safety. As a gesture of gratitude, the Bank, besides extending online medical consultation to the employees and their loved ones, also undertook the vaccination program across its branches and offices.

The HR team also arranged sessions on mental wellness for the teams working from home to ensure stress doesn't take a toll.

The Bank has extensively focussed on capacity building and employee motivation during the year. The number of people across SBM Bank India increased from 186 to 232.

During the year under review, the Bank's Compensation Policy was reviewed to align with RBI guidelines in consultation with an HR consultant. Designed Total Reward framework, we continued to focus on Functional, Softskills and Mandatory Training- thereby using the lockdowns to upskill our employees. A total of 180 employees were trained during the year including Induction Programs, Leadership Training, Trade Finance Training, Compliance, Cyber Security, Virtualization and Cloud Computing, Data Science in Banking and Finance, Mobile & Social Media Banking, API Development, Threats to Digital Payment Ecosystem, CAD, FEDAI workshops, Corporate Governance, POSH, Labour laws, Preventive Vigilance and Fraud Management, etc. Besides, the Bank continued to focus on ensuring fun and camaraderie spirit to sustain despite the pandemic. We organised various employee engagement programs including Strategy Meet, Women's Day, Children's and parents Yoga, Digital Deception show, IPL 2.0, Online Games, Bollywood Quiz, etc.





Risk Management

Banking is the business of managing risk. SBM Bank India is exposed to normal industry risks including credit risk, liquidity risk, competition, economic cycle, market risk, operational risk, cybersecurity risk, reputation risk, etc. The Bank mitigates such risks by ensuring a process of sustained monitoring of the credit health, financial prudence, brand initiatives, transparency, robust processes and reinforcing customer confidence.

The Bank's risk monitoring and mitigation measures are governed by the Risk Management Committee of the Board; the Risk Management Department of the Bank implements and monitors the Risk management framework of the Bank, with guidance from the Risk Forum, comprising of the senior executives of the Bank. The Risk Forum ensures that credible frameworks are established for assessing and managing various risks faced, systems are developed and methods are in place for monitoring compliance with internal risk management policies and processes.

During the year 2020-21, the impact of pandemic was experienced across the world, in several bouts of intensity, where all our customers and their businesses faced challenges of different dimensions; SBM Bank has grown stronger by going through these challenging times by ensuring continuity of operations to serve our customers and helping them to steer through their business and growth. The quality of our portfolio showed resilience in going through the challenges with minimal impact, where all our clients who needed support have been given the opportunity to overcome the crisis. Liquidity has been made available throughout and systems which is the backbone of the digital bank, was ensured to function in a secure environment, to protect the interest of our customers.

Compliance

Since our inception, we at SBM Bank India have strived to foster and maintain compliance-oriented culture to be compliant with the applicable regulations at all times. With this objective in mind, the Bank has designed and implemented a comprehensive Compliance Framework guided by a defined governance structure and Compliance Policy in adherence to the RBI's requirements. The Compliance Function is headed by Chief Compliance Officer (CCO) at the Head office. The Bank has put in place a robust Board approved Compliance Policy governing the Compliance Framework.

The primary functions of the Compliance department are to assist the Board and management in the identification, evaluation & mitigation of regulatory compliance and AML risks for the Bank on an ongoing basis.

With the view to ensure that effective oversight is maintained on the Compliance and AML risks for the Bank, Compliance and AML Risk Committee (CARC) has been established. CARC's objectives are to evaluate the level of compliance governance in the Bank, oversee the activities of the Compliance and AML Functions, evaluate the level of compliance on an ongoing basis and suggest changes in the Compliance Framework of the Bank from time to time.





The Bank has introduced several measures to enhance the Compliance Framework within the Bank such as the implementation of IT-based workflows to manage the dissemination of changes in the regulatory guidelines and tracking of compliance certification. Any new product/process being introduced by the Bank or being modified requires a mandatory approval from the Compliance Function.

The Bank has established a comprehensive Compliance Testing Framework to assess the design and operating effectiveness of the Bank's internal controls and processes to detect potential compliance risks at a design level and to identify instances of non-compliance with regulatory requirements.

The Bank has also put in place a KYC/AML/CFT Policy approved by the Board of Directors. We have implemented a robust AML transaction monitoring system that generates alerts for transactions that are inconsistent with customer profile and their transaction pattern to identify and report potentially suspicious transactions.

The Bank has put in place a Board-approved Internal Vigilance and Whistle-blower policies to promote integrity and transparency across its operations. The Vigilance Function is headed by the Chief of Internal Vigilance (CIV).

Audit

SBM Bank India has an Internal Audit function that is responsible for independently evaluating the adequacy and effectiveness of Internal controls, Risk management, Governance Systems, Internal Processes and Information Technology. The audit department includes qualified professionals who are appropriately skilled and experienced. The Audit Department adopts a risk-based audit approach in congruence with the RBI's Guidelines on Risk-Based Internal Audit (RBIA) and carries out audits across various businesses and functions i.e. Corporate Banking, Retail Banking, Operations, Domestic Treasury, Risk Management, Control & Support functions and Information Technology. Further, critical units of the Bank are subjected to the Independent Concurrent Audit process by reputed external audit firms.

The Internal Audit Department, during an audit, also ascertains the extent of adherence to regulatory guidelines, legal requirements and operational processes and provides timely feedback to the Management for corrective actions. To ensure Independence, the Internal Audit function has a reporting line to the Audit Committee of the Board and a dotted line reporting to the Managing Director & CEO. The Audit Committee of the Board also reviews the performance of the Audit function and reviews the effectiveness of controls and compliance with regulatory guidelines.



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