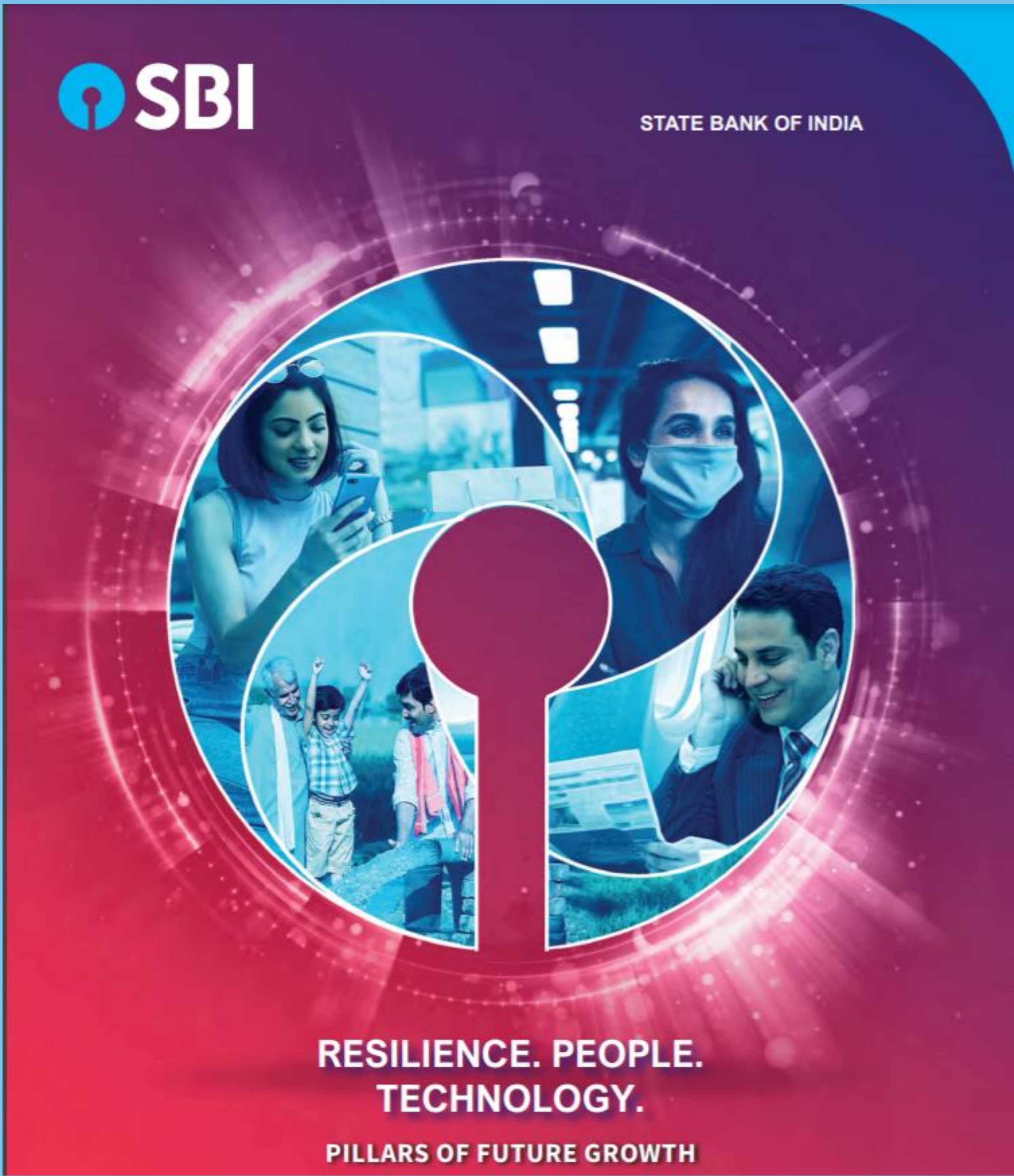

PILLAR 3 RISK AND CAPITAL MANAGEMENT REPORT

FOR THE YEAR ENDED 31 MARCH 2021

Overview of risk management, key prudential metrics and RWA

KM1: Key metrics

(Amount in '000)

		a	b	c	d	e
		Mar'21	**Dec'20**	**Sep'20**	**Jun'20**	**Mar'20**
	Available Captial (amounts)					
1	Common Equity Tier 1 (CET1)	1,773,792.00	1,781,348.00	1,779,537.00	1,689,130.00	1,696,543.00
1a	Fully loaded ECL accounting model	1,773,792.00	1,781,348.00	1,779,537.00	1,689,130.00	1,696,543.00
2	Tier 1	1,773,792.00	1,781,348.00	1,779,537.00	1,689,130.00	1,696,543.00
2a	Fully loaded ECL accounting model Tier1	1,773,792.00	1,781,348.00	1,779,537.00	1,689,130.00	1,696,543.00
3	Total Capital	1,807,316.00	1,820,439.00	1,859,668.00	1,773,581.00	1,778,906.00
3a	Fully loaded ECL Accounting model total capital	1,807,316.00	1,820,439.00	1,859,668.00	1,773,581.00	1,778,906.00
	Risk-Weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	10,652,708.00	10,771,405.00	11,368,767.00	11,902,969.00	13,698,789.50
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier1 ratio(%)	16.65%	16.54%	15.65%	14.19%	12.38%
5a	Fully loaded ECL accounting model Common Equity Tier 1(%)	16.65%	16.54%	15.65%	14.19%	12.38%
6	Tier 1 ratio(%)	16.65%	16.54%	15.65%	14.19%	12.38%
6a	Fully loaded ECL accounting model Tier 1 ratio(%)	16.65%	16.54%	15.65%	14.19%	12.38%
7	Total Capital ratio (%)	16.97%	16.90%	16.36%	14.90%	12.99%
7a	Fully loaded ECL accounting model total capital ratio (%)	16.97%	16.90%	16.36%	14.90%	12.99%
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical buffer requirement(%)	0.02%	0.02%	0.02%	0.02%	0.02%
10	Bank G-SIB and/or D-SIB additional requirements (%)	0.00%	0.00%	0.00%	0.00%	0.00%
11	Total of bank (CET1) specific buffer requirements (%) (row 8+row9+row10)	2.52%	2.52%	2.52%	2.52%	2.52%
12	CET1 available after meeting the bank's minimum capital requirement(%)	5.13%	5.02%	4.13%	2.67%	-0.14%
	Basel III Leverage ratio					
13	Total Basel III leverage ratio exposure measure	12,407,380.00	11,981,472.00	12,575,840.00	12,833,690.00	14,798,649.00
14	Basel III leverage ratio(%) (row 2/row 13)	14.30%	14.87%	14.15%	13.16%	11.46%
14a	Fully loaded ECL accounting model Basel III Leverage ratio(%) (row2a/row13)	14.30%	14.87%	14.15%	13.16%	11.46%
	Liquidity coverage ratio					
15	Total HQLA	277,331.00	314,495.00	333,203.00	335,006.00	655,295.00
16	Total net cash outflow	131,320.00	204,798.00	305,884.00	252,179.00	431,442.00
17	LCR ratio (%)	211%	154%	109%	133%	152%
	Net Stable Funding Ratio (NSFR)					
18	Total available stable funding	7,629,563.00	8,626,717.45	8,576,368.00	9,572,921.60	9,864,562.25
19	Total required stable funding	6,392,955.00	7,206,535.90	8,204,395.00	8,583,890.35	9,552,659.20
20	NSFR ratio	119.00	119.71	104.53	110.98	103.27

OVA: Branch Risk Management Approach

SBISA has a well-defined Risk Governance Structure. SBISA has well established systems, procedures and policies in place for comprehensive identification, assessment, monitoring and reporting of all Material Risks which are controlled, managed and overseen in a timely and efficient manner. SBISA has assessed its Risk Appetite as “minimise”. This is reflective of our decade old practice of prompt and prudent attitude to mitigate risk on our journey of growth.

Risk appetite is set as part of the business strategy to ensure the risk appetite defines the risk-reward trade-off and assist to cascade any changes in risk appetite into the risk policies and business processes.

Our Risk Appetite is as under -

Appetite	**Description**
Zero Tolerance	Absolutely no appetite for certain risks.
Minimise Risk	SBISA understands that certain risks are unavoidable. However, we intend to keep the exposure to such risk at minimal level.
Risk / Reward evaluation	Recognition of the fact that higher return asks for appetite to take higher risk.

OV1: Overview of RWA

(Amount in '000)

		a	b	c
		RWA		Minimum Capital requirements
		T	T-1	T
1	Credit risk (excluding counterparty credit risk)	10,065,664	10,176,165	1,159,564
2	Of which: standardised approach (SA)	10,065,664	10,176,165	1,159,564
3	Of which: foundation internal ratings-based (F-IRB) approach			
4	Of which: supervisory slotting approach			
5	Of which: advanced internal ratings-based (A-IRB) approach			
6	Counterparty credit risk (CCR)	51,214	59,987	5,900
7	Of which: standardised approach for counterparty credit risk	51,214	59,987	5,900
8	Of which: Internal Model Method (IMM)			
9	Of which: other CCR			
10	Credit valuation adjustment (CVA)			
11	Equity positions under the simple risk weight approach			
12	Equity investments in funds – look-through approach			
13	Equity investments in funds – mandate-based approach			
14	Equity investments in funds – fall-back approach			
15	Settlement risk			
16	Securitisation exposures in banking book			
17	Of which: securitisation internal ratings-based approach (SEC-IRBA)			
18	Of which: securitisation external ratings-based approach (SEC-ERBA), including internal assessment approach (IAA)			
19	Of which: securitisation standardised approach (SEC-SA)			
20	Market risk	19,713	-	2,271
21	Of which: standardised approach (SA)	19,713	-	2,271
22	Of which: internal model approaches (IMA)			
23	Capital charge for switch between trading book and banking book			
24	Operational risk	463,526	497,690	53,398
25	Amounts below the thresholds for deduction (subject to 250% risk weight)	25,323	20,945	2,917
26	Aggregate Capital floor applied	27,268	16,618	3,141
27	Floor adjustment (before application of transitional cap)	27,268	16,618	3,141
28	Floor adjustment (after application of transitional cap)			
29	Total (1 + 6 + 10 + 11 + 12 + 13 + 14 + 15 + 16 + 20 + 23 + 24 + 25 + 26)	**10,652,708**	**10,771,405**	**1,227,192**

CC1 – Composition of Regulatory Capital

(Amount in '000)

		a	b
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	795,850	
2	Retained earnings	985,087	
3	Accumulated other comprehensive income (and other reserves)	-7,142	
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**	1,773,795	
	Common Equity Tier 1 capital: regulatory adjustments		
7	Prudent valuation adjustments		
8	Goodwill (net of related tax liability)		
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	3	
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)		
11	Cash flow hedge reserve		
12	Shortfall of provisions to expected losses		
13	Securitisation gain on sale (as set out in paragraph 36 of Basel III securitisation framework25		
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 subtracted from paid-in 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, 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 (amount above 10% threshold)		
20	Mortgage servicing rights (amount above 10% threshold)		
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 financials		
24	Of which: mortgage servicing rights		
25	Of which: deferred tax assets arising from temporary differences		
26	National specific regulatory adjustments		
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**	3	
29	**Common Equity Tier 1 capital (CET1)**	1,773,792	
	Additional Tier 1 capital: instruments		
30	Directly issued qualifying additional Tier 1 instruments plus related stock surplus		
31	Of which: classified as equity under applicable accounting standards		
32	Of which: classified as liabilities under applicable accounting standards		
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, 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		
41	National specific regulatory adjustments		
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)**	1,773,792	
	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	33,524	
51	**Tier 2 capital before regulatory adjustments**	33,524	

	Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments		
53	Reciprocal cross-holdings in Tier 2 instruments and other TLAC liabilities		
54	Investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)		
54a	Investments in the other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation and where the bank does not own more than 10% of the issued common share capital of the entity: amount previously designated for the 5% threshold but that no longer meets the conditions (for G-SIBs only)		
55	Significant investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)		
56	National specific regulatory adjustments		
57	**Total regulatory adjustments to Tier 2 capital**	-	
58	**Tier 2 capital (T2)**	33,524	
59	**Total regulatory capital (TC = T1 + T2)**	1,807,316	
60	**Total risk-weighted assets**	10,652,708	
	Capital ratios and buffers		
61	**Common Equity Tier 1 (as a percentage of risk-weighted assets)**	16.65%	
62	**Tier 1 (as a percentage of risk-weighted assets)**	16.65%	
63	**Total capital (as a percentage of risk-weighted assets)**	16.97%	
64	**Institution-specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)**	2.52%	
65	Of which: capital conservation buffer requirement	2.50%	
66	Of which: bank-specific countercyclical buffer requirement	0.02%	
67	Of which: higher loss absorbency requirement		
68	Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirements	5.13%	
	National minima (if different from Basel III)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	5.00%	
70	National Tier 1 minimum ratio (if different from Basel III minimum)	6.75%	
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 and other TLAC liabilities 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)	33,524	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	-	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	*Current cap on CET1 instruments subject to phase-out arrangements*		
81	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*		
82	*Current cap on AT1 instruments subject to phase-out arrangements*		
83	*Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)*		
84	*Current cap on T2 instruments subject to phase-out arrangements*		
85	*Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)*		

CC2 – Reconciliation of regulatory capital to balance sheet

There is no difference between the financial balance sheet and the regulatory balance sheet (or balance reported under the scope of regulatory consolidation).

Leverage Ratio

LR1 – Summary comparison of accounting assets vs leverage ratio exposure measure

(Amount in ‘000)

		a
1	Total consolidated assets as per published financial statements	11,711,611
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	0
3	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	
4	Adjustments for temporary exemption of central bank reserves (if applicable)	
5	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	
7	Adjustment for eligible cash pooling transactions	
8	Adjustments for derivative financial instruments	8,161
9	Adjustment for securities financing transactions (ie repos and similar secured lending)	
10	Adjustment for off-balance sheet items (ie conversation to credit equivalent amounts of off-balance sheet exposures)	687,612
11	Adjustments for prudent valuation adjustments and specific general provisions which Adjustments for prudent valuation adjustments and specific general provisions which have reduced Tier-1 capital	
12	Other adjustments	-3
13	**Leverage ratio exposure measure**	**12,407,381**

LR2: Leverage ratio

(Amount in '000)

	Leverage ratio framework	a **Mar'21**	b **Dec'20**
On-balance sheet exposures			
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	11,705,759	11,338,452
2	Gross-up for Derivatives collateral provided where deducted from balance sheet assets persuant to the operating accounting framework		
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)		
4	(Adjustment for securities received under financing transactions that are recognised as an asset)		
5	(Specific and general provisions associated with on-balance sheet exposure that are deducted from Basel III Tier 1 capital)		
6	(Asset amounts deducted in determining Basel III Tier 1 capital)		
7	**Total on-balance sheet exposures** (excluding derivatives and SFTs) (sum of lines 1 to 6)	11,705,759	11,338,452
Derivative exposures			
8	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	5,849.00	12,014.00
9	Add-on amounts for PEE associated with all derivatives transactions	8,161.00	5,508.00
10	(Exempted CCP leg of client-cleared trade exposures)		
11	Adjusted effective notional amount of written credit derivatives		
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)		
13	**Total derivative exposures** (sum of lines 8 to 12)	14,010.00	17,522.00
Securities financing transaction exposures			
14	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	0.00	0.00
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)		
16	CCR exposure for SFT assets		
17	Agent transaction exposures		
18	**Total securities financing transaction exposures (sum of lines 14 to 17)**	0.00	0.00
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	1,055,535.00	941,462.00
20	(Adjustments for conversion to credit equivalent amounts)	-367,923.00	-315,964.00
21	Specific and general provisions associated with off-balance sheet exposures deducted in determining in Tier -1 Capital		
22	**Off-balance sheet items (sum of lines 19 to 21)**	687,612.00	625,498.00
Capital and total exposures			
23	Tier 1 capital	1,773,792.00	1,781,348.00
24	Total exposures (sum of lines 7, 13, 18 and 22)	12,407,381.00	11,981,472.00
Leverage ratio			
25	Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	14.30	14.87
25a	Basel III leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	-	-
26	National minimum Leverage ratio requirement	4.00	4.00
27	Applicable leverage buffers		

LIQA – Liquidity risk management

The bank will seek to maintain sufficient liquidity and diversity of funding sources to allow the bank to meet its obligations. The liquidity management program takes into account all the stress scenarios and adequate liquidity sources which are in place to meet the contingencies. Basel III requirements relating to liquidity management disclosures (LCR, NSFR) are being met in the stipulated intervals. The Bank has a well defined ALM policy which assists the SBISA operations to maintain and meet its short- and long-term liquidity requirements

LIQ1 – Liquidity Coverage Ratio (LCR)

(Amount in '000)

		a	b
		Total unweighted value (average)	**Total weighted value** (average)
	High-quality liquid assets		
1	Total HQLA	277,331	277,331
	Cash Outflow		
2	**Retail deposits and deposits from small business customers, of which:**		
3	Stable deposits	91,566	-
4	Less stable deposits	245,200	24,520
5	**Unsecured wholesale funding, of which:**		
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	230,294	9,068
7	Non-operational deposits (all counterparties)	283,427	113,371
8	Unsecured debt	299,452	299,452
9	**Secured wholesale funding**	-	-
10	**Additional requirements, of which:**		
11	Outflows related to derivative exposures and other collateral requirements	5,530	5,530
12	Outflows related to loss of funding on debt products		
13	Credit and liquidity facilities	348,849	30,053
14	**Other contractual funding obligations**	22,083	22,083
15	**Other contingent funding obligations**	706,689	21,201
16	**TOTAL CASH OUTFLOWS**	2,233,090	525,278
	Cash Inflows		
17	**Secured lending (eg reverse repos)**		
18	**Inflows from fully performing exposures**	1,614,274	1,385,267
19	Other cash inflows	5,849	5,849
20	**TOTAL CASH INFLOWS**	1,620,123	1,391,116
			Total adjusted value
21	**Total HQLA**		277,331
22	**Total net cash outflows**		131,320
23	**Liquidity Coverage Ratio (%)**		**211**

LIQ2 – Net Stable Funding Ratio (NSFR)

(Amount in ‘000)

		a	b	c	d	e
		Unweighted value by residual maturity				
(In currency amount)		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	Weighted value
Available stable funding (ASF) item						
1	Capital:				1,817,515	1,817,515
2	Regulatory capital				1,817,515	1,817,515
3	Other capital instruments					
4	Retail deposits and deposits from small business customers:		424,272	27,659	21,141	438,811
5	Stable deposits		190,965	27,659	21,141	228,834
6	Less stable deposits		233,307	-	-	209,977
7	Wholesale funding:		262,759	5,982	56,135	190,506
8	Operational deposits					
9	Other wholesale funding		262,759	5,982	56,135	190,506
10	Liabilities with matching interdependent assets					
11	Other liabilities:		2,558,592	2,656,834	3,746,703	5,075,120
12	NSFR derivative liabilities				5,530	
13	All other liabilities and equity not included in the above categories		20,578	-	107,611	107,611
14	**Total ASF**					**7,629,563**
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					13,867
16	Deposits held at other financial institutions for operational purposes		1,742,722	27,558	-	885,140
17	Performing loans and securities:		2,646,367	3,330,247	1,718,194	3,779,103
18	Performing loans to financial institutions secured by Level 1 HQLA					
19	Performing loans to financial institutions secured by non-Level 1 HQLA and **unsecured** performing loans to financial institutions		2,646,367	3,330,247	1,714,851	3,776,930
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:					
21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk					
22	Performing residential mortgages, of which:				3,343	2,173
23	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk				3,343	2,173
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities		-	-	-	-
25	Assets with matching interdependent liabilities					
26	Other assets:		21,648	2,717	1,932,033	1,662,068
27	Physical traded commodities, including gold					
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs					
29	NSFR derivative assets					
30	NSFR derivative liabilities before deduction of variation margin posted		-	-	51,052	51,052
31	All other assets not included in the above categories		21,648	2,717	1,880,981	1,611,016
32	Off-balance sheet items				1,055,535	52,776
33	**Total RSF**					**6,392,954**
34	**Net Stable Funding Ratio (%)**					**119**

MRA: Market Risk is computed through Standardised approach and is contributed only by Foreign Exchange Risk. We do not have any exposures on Equity, Commodities etc. Our Forex Trading activity is mainly to cater for our clients and is line with our Forex Trading Policy and Market Risk Management Policy. The policy encompasses systems and procedures to actively mitigate risks while ensuring reasonable returns commensurate with the risk profile of the Bank.

MR 1 Market risk under the SA

(Amount in '000)

		a
		Capital charge in SA
1	General interest rate risk	
2	Equity risk	
3	Commodity risk	
4	Foreign exchange risk	1,577
5	Credit spread risk – non-securitisations	
6	Credit spread risk – securitisations (non-correlation trading portfolio)	
7	Credit spread risk – securitisation (correlation trading portfolio)	
8	Default risk – non-securitisations	
9	Default risk – securitisations (non-correlation trading portfolio)	
10	Default risk – securitisations (correlation trading portfolio)	
11	Residual risk add-on	
12	**Total**	**1,577**

Interest Rate Risk

Interest rate risk refers to impact on Bank's Net Interest Income and the value of its assets and liabilities arising from fluctuations in interest rate due to internal and external factors. The Asset - Liability Management Committee (ALCO) is responsible for evolving appropriate systems and procedures for ongoing identification and analysis of Balance Sheet risks and laying down parameters for efficient management of these risks through Asset Liability Management Policy of the Bank. ALCO, therefore, periodically monitors and controls the risks and returns, funding and deployment, setting Bank's lending and deposit rates, and directing the investment activities of the Bank. ALCO also develops the market risk strategy by clearly articulating the acceptable levels of exposure to specific risk types (i.e. interest rate, liquidity etc). The Risk Management Committee of the Board of Directors (RMCB) oversees the implementation of the system for ALM and reviews its functioning periodically and provides direction. It reviews various decisions taken by Asset - Liability Management Committee (ALCO) for managing interest risk.

REM1 – Remuneration awarded during the financial year

			a	b
	Remuneration amount		**Senior management**	**Other material Risk-takers**
1		Number of employees	**01**	Nil
2		**Total fixed remuneration (3 + 5 + 7)** **Amount in ZAR**	**2,942,923.00**	Nil
3		Of which: cash-based	**2,942,923.00**	
4	Fixed remuneration	Of which: deferred	Nil	Nil
5		Of which: shares or other share-linked instruments	Nil	Nil
6		Of which: deferred	Nil	Nil
7		Of which: other forms	Nil	Nil
8		Of which: deferred	Nil	Nil
9		Number of employees	Nil	Nil
10		Total variable remuneration (11 + 13 + 15)	Nil	Nil
11		Of which: cash-based	Nil	Nil
12	Variable remuneration	Of which: deferred	Nil	Nil
13		Of which: shares or other share-linked instruments	Nil Nil Nil	Nil Nil Nil
14		Of which: deferred	Nil	Nil
15		Of which: other forms	Nil	Nil
16		Of which: deferred	Nil	Nil
17	**Total remuneration (2 + 10)**		**2 942,923.00**	

Credit risk is defined as the possibility of losses associated with default by or diminution in the credit quality of Borrowers or Counterparties arising from:

i. Outright default due to inability or unwillingness of a borrower or counterparty to meet commitments in relation to lending, trading, settlement and other financial transactions; or
ii. Reduction in portfolio value arising from actual or perceived deterioration in credit quality of borrowers or counterparties.

Credit Risk emanates from a bank's dealings with an individual, non-corporate, corporate, bank, financial institution or sovereign.

SBI SA has its approved Credit Policy which is in broad alignment with the Policies of its Head Office. This policy sets out the principles, standards and approach for credit risk management and puts in place a comprehensive framework to identify, assess, measure, monitor, control and report credit risks in a timely and efficient manner.

Non-performing assets:

An asset becomes non-performing when it ceases to generate income for the Bank. A non-performing Asset (NPA) is an advance where (i) Interest and/or instalment of principal remain 'overdue' for a period of more than 90 days in respect of a Term Loan (ii) The account remains 'out of order' for a period of more than 90 days, in respect of an Overdraft/Cash Credit (OD/CC) (iii) The bill remains 'overdue' for a period of more than 90 days in the case of bills purchased and discounted (iv) Any amount to be received remains 'overdue' for a period of more than 90 days in respect of other accounts (v) An account would be classified as NPA only if the interest charged during any quarter is not serviced fully within 90 days from the end of the quarter. (vi) In respect of derivative transactions, the overdue receivables representing the positive mark to market value of a derivative contract, remain unpaid for a period of 90 days from the specified due date for payment. An account is treated as 'out of order' if the outstanding balance remains continuously in excess of the sanctioned limit/drawing power. In cases where the outstanding balance in the principal operating account is less than the sanctioned limit/drawing power, but there are no credits continuously for 90 days as on the date of Bank's Balance Sheet, or where credits are not enough to cover the interest debited during the same period, such accounts are treated as 'out of order'. 'Overdue' Any amount due to the Bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the Bank.

Early identification and reporting of stress:

SBISA has implemented 'Early Warning Signal (EWS) approach for early identification and reporting of incipient stress in loan accounts. Further, upon default, the bank classifies the stressed assets as special mention accounts (SMA) in the following categories:

SMA Sub-categories Basis for classification – Principal or interest payment or any other amount wholly or partly overdue between

SMA-0	1-30 days
SMA-1	31-60 days
SMA-2	61-90 days

Credit Assessment

SBISA has in place a well-established process of credit appraisal that has developed and evolved over a period of time. The fundamental purpose of credit appraisal has been two fold. First, to be able to take an informed decision as to the credit worthiness of any proposal, viz. whether it is prudent, worthwhile and desirable for SBISA to take a credit exposure on the applicant entity. Second, to be able to assess the extent and nature of such credit exposure and the pricing at which it is considered prudent to operationalize such a credit relationship.

Credit Risk Governance Structure

Credit risk process/ control is executed through the credit team comprising of VP (Bilateral Credit) , VP (Syndications) and 3 AVP's which reports to the Chief Executive officer (Johannesburg) who in turn reports to the Regional Head, MEWANA at Dubai. To oversee the policy and strategy for Integrated Risk Management relating to various Risk exposures of SBISA Risk Management Committee (RMC) has been constituted involving all the senior functionaries.

Credit Audit

SBISA has an in-built internal control system with well-defined responsibilities at each level. The Inspection Department carries out the Inspection and Audit and the Management Audit functions covering different facets of activities. The Audit system serves as an effective control on the process of sanction of loans in SBISA through widely delegated powers. Credit Audit also examines identified Risks and suggests Risk Mitigation Measures, monitors high value exposure on an ongoing basis to check breach of prudential limits.

Internal Communication

The Policies, Procedures and Risk Limits are published in SBISAs website for easy access by operating functionaries, the training system, the Credit Audit and Inspection & Audit functionaries to keep them updated on an ongoing basis.

RISK REPORTING

Periodic progress reports in respect of management of various Risks are placed before the Senior Management who are familiar with the Risk Appetite, Risk Bearing and Risk Taking Capacity of SBISA. SBISA has well established and well defined Risk Monitoring and Risk Reporting Framework.

Under the Standardised Approach for Credit Risk, Risk Weights are assigned to Corporate Exposures, i.e. borrowers, based on their rating grades assigned by approved External Credit Rating Agencies (ECRAs). Unrated exposures carry 100% risk weight.

Impact of COVID-19

Despite the impact of Covid-19, lockdowns and the resulting adverse macroenvironment, credit risk and the assessment of impairments was a significant matter. However, the credit portfolio of the bank has showed remarkable resilience during this period of uncertainty. Bank's retail customers continued to perform on its repayment obligations and no requests for deferment/restructuring were received. The corporate portfolio of the Bank was marginally impacted where in some of the customers requested for waiver/deferment of financial covenants. Only 1 corporate customer, requested for restructuring of instalments constituting 0.38% of the total loan outstanding. The request of the customer was approved in terms of Bank's guidelines. The customer continued to perform on its repayment obligations post restructuring.

As on March 31, 2021, 3.16% of the total fund based and non-fund based was classified as stressed in SMA-0 Category and none of them was on account of impact of COVID

Impairments:

Bank has implemented IFRS-9 for measuring of credit impairment since 01.04.2019 and uses the forward looking IFRS-9 models for determination of impairments. The Bank's senior management reviewed and the level and appropriateness of impairments. Despite the challenges, SBISA's credit portfolio demonstrated strong levels of resilience and remained well-capitalised, liquid and profitable.

As on Mar 31,.2021, Bank has 'NIL' Assets in Stage 3. 53.38% of the assets are in Stage 1 and 46.62% of the total assets are in Stage 2. Out of total credit impairment of ZAR 33.51 Mn, impairment of ZAR 20.08 is towards Stage 1 assets and ZAR 13.43 is towards Stage 2 assets.

CR1: Credit quality of assets

(Amount in '000)

		a	b	c	d
		Gross carrying values of		Allowances/ impairments	Net values
		Defaulted exposures	Non-defaulted exposures		(a+b-c)
1	Loans	0	9,707,994	23,062	9,684,933
2	Debt Securities	0	1,885,354	2,420	1,882,934
3	Off-balance sheet exposures	0	986,149	8025.14	978,124
4	***Total***	***0***	***12,579,497***	***33,507***	***12,545,991***

CR2: Changes in stock of defaulted loans and debt securities

		a
1	**Defaulted loans and debt securities at end of the previous reporting period**	Nil
2	Loans and debt securities that have defaulted since the last reporting period	Nil
3	Returned to non-defaulted status	Nil
4	Amounts written off	Nil
5	Other changes	Nil
6	**Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)**	Nil

CR3: Credit risk mitigation techniques – overview

(Amount in '000)

		a	b	c	d	e	f	g
		Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	7,059,663.00	1,876,534.00	1,877.00	748,736.00	749.00	-	-
2	Debt securities	1,882,934.00	-	-	-	-	-	-
3	**Total**	8,942,597.00	1,876,534.00	1,877.00	748,736.00	749.00	-	-
4	Of which defaulted	-	-	-	-	-	-	-

CR4: Standardised approach – credit risk exposure and credit risk mitigation (CRM) effects

(Amount in '000)

		a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
	Asset classes	On-balance sheet amt	Off-balance sheet amt	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereigns and their central banks	157,348.00	-	157,348.00	-	-	
2	Non-central government public sector entities	-	-	-	-	-	
3	Multilateral development banks	368,415.00	-	368,415.00	-	184,207.00	0.50
4	Banks	7,563,215.00	290,213.00	7,563,215.00	-	6,063,224.00	0.80
	Of which: securities firms and other fina inst	-	-	-	-	-	
5	Covered bonds	-	-	-	-	-	
6	Corporates	3,265,470.00	680,993.00	3,159,724.00	384,729.00	3,626,041.00	1.02
	Of which: securities firms and other fin insti	250,876.00	-	250,876.00	-	250,876.00	1.00
	Of which: specialised lending	-	-	-	-	-	
7	Subordinated debt, equity and other capital	-	-	-	-	-	
8	Retail	40,875.00	14,943.00	3,156.00	-	2,817.00	0.89
9	Real estate	198,025.00	-	189,375.00	-	189,375.00	1.00
	Of which: general RRE	-			-	-	
	Of which: IPRRE	-	-	189,375.00	-	-	
	Of which: general CRE	198,025.00	-	189,375.00	-	189,375.00	1.00
	Of which: IPCRE	198,025.00	-	189,375.00	-	189,375.00	1.00
	Of which: land acq, develo and construction	-	-	-	-	-	
10	Defaulted exposures	-	-	-	-	-	
11	Other assets	-	-				
12	Higher-risk categories						
13	Other assets						
14	**Total**	11,593,348.00	986,149.00	11,441,234.00	384,729.00	10,065,664.00	0.85

CR5: Standardised approach – exposures by asset classes and risk weights

(Amount in '000)

		0%	20%	50%	100%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)
1	Sovereigns and their central banks	157,348.40						157,348.40

		20%	50%	100%	150%	Other	100%	100%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)
2	Non-central government public sector entities				0						0

		0%	20%	30%	50%	100%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)
3	Multilateral development banks				368,414.94				368,414.94

		0%	20%	40%	50%	75%	100%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)
4	Banks	922,108.60	1		1,155,765.00		5,485,341.27	0		7,563,215.40
	Of which: securities firms and other financial institutions									

		10%	15%	20%	25%	35%	50%	100%	Other	Total credit exposure amount (post-CCF and post-CRM)
5	Covered bonds									

		20%	50%	65%	75%	80%	85%	100%	130%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)
6	Corporates	0	0		0			2,993,623.47		355,475.59		3,349,099.07
	Of which: securities firms and other financial institutions							250,876.43				250,876.43
	Of which: specialised lending											

		100%	150%	250%	400%[1]	Other	Total credit exposure amount (post-CCF and post-CRM)
7	Subordinated debt, equity and other capital[2]	0	0	0	0	0	0

		35%	75%	100%	Other	Total credit exposure amount (post CCF and post-CRM)
8	Retail	-	1,356.05	1,800.31		3,156.36

9		0%	20%	25%	30%	35%	40%	45%	50%	60%	65%	70%	75%	85%	90%	100%	105%	110%	150%	Other	Total credit exposure amount (post CCF and post-CRM)
	Real estate															189,375.02					189,375.02
	Of which: general RRE																				0
	Of which: no loan splitting applied																				0
	Of which: loan splitting applied (secured)																				0
	Of which: loan splitting applied (unsecured)																				0
	Of which: IPRRE																				0
	Of which: general CRE															189,375.02					189,375.02
	Of which: no loan splitting applied																				0
	Of which: loan splitting applied (secured)																				0
	Of which: loan splitting applied (unsecured)																				0
	Of which: IPCRE															189,375.02					189,375.02
	Of which: land acquisition, development and construction																				

		50%	100%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)
10	Defaulted exposures					

		0%	20%	100%	1250%	Other	Total credit exposure amount (post-CCF and post-CRM)
11	Other assets						

	Exposure amounts and CCFs applied to off-balance sheet exposures, categorised based on risk bucket of converted exposure				
		a	b	c	d
	Risk weight	***On-balance sheet exposure***	***Off-balance sheet exposure (pre-CCF)***	***Weighted average CCF****	***Exposure (post-CCF and post-CRM)***
1	*Less than 40%*	1,082,800.84	117,488.76	0.90	1,079,457.53
2	*40–70%*	1,524,179.80	357,314.03	0.91	1,716,479.92
3	*75%*	1,648.80	160.13	0.75	1,356.05
4	*85%*				
5	*90–100%*	8,629,243.41	580,590.58	0.94	8,673,193.89
6	*105–130%*				
7	*150%*	355,475.59	-	1.00	355,475.59
8	*250%*				
9	*400%*				
10	*1,250%*				
11	***Total exposures***	11,593,348.45	1,055,553.49	0.93	11,825,962.97

CCRA: Qualitative disclosure related to counterparty credit risk

Counterparty Credit Risk is the risk that the counterparty to a derivative transaction can default before the final settlement of the transaction's cash flow. To mitigate this risk, derivative transactions are undertaken only with those counterparties where approved counterparty limits are in place. For corporates, the Derivatives limits are assessed and sanctioned in conjunction with regular credit limit as part of regular appraisal.

We are presently utilising current exposure method (CEM) for calculating counterparty credit risk

CCR1: Analysis of counterparty credit risk (CCR) exposure by approach

(Amount in '000)

		a	b	c	d	e	f
		Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	SA-CCR (for derivatives) [19]	5,849.00	8,161.00		1.4	19,615.00	14,954.00
2	Internal Model Method (for derivatives and SFTs)						
3	Simple Approach for credit risk mitigation (for SFTs)						
4	Comprehensive Approach for credit risk mitigation (for SFTs)						
5	VaR for SFTs						
6	**Total**						14,954.00

CCR2: Credit valuation adjustment (CVA) capital charge

(Amount in ‘000)

		EAD Post CRM	RWA
	Total portfolio subject to advanced CVA capital Charge		
1	(i) VAR component (including the 3 X multiplier		
2	(ii) Stressed Var componet (including 3 X Multiplier)		
3	All portfolios subject to Standardised CVA capital charge	19,615.00	14,954.00
4	Total subject to CVA capital charge		

CCR3: Standardised approach – CCR exposures by regulatory portfolio and risk weights

(Amount in ‘000)

		a	b	c	d	e	f	g	h	i
		0%	10%	20%	50%	75%	100%	150%	Others	Total credit exposure amount
	Asset classes									-
1	Sovereigns and their central banks	-								-
2	Non-central government public sector entities	-								-
3	Multilateral development banks	-								-
4	Banks	-		755.00	8,185.00					8,940.00
5	Securities firms									-
6	Corporates						3,524.00			3,524.00
7	Regulatory Retail portfolios						7,150.00			7,150.00
8	Other assets									-
9	Total	–	–	755.00	8,185.00	–	10,674.00	–	–	19,615.00

CCR5: Composition of collateral for CCR exposure

(Amount in ‘000)

	a	b	c	d	e	f
	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash – domestic currency						
Cash – other currencies						
Domestic sovereign debt						
Other sovereign debt						
Government agency debt						
Corporate bonds						
Equity securities						
Other collateral						
Total						

CCR6: Credit derivatives exposures

	a	b
	Protection bought	Protection sold
Notionals		
Single-name credit default swaps		
Index credit default swaps		
Total return swaps		
Credit options		
Other credit derivatives		
Total notionals		
Fair values		
Positive fair value (asset)		
Negative fair value (liability)		