



Basel Pillar 3 Disclosures

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I. Disclosure Framework (DF) –

Scope of Application

The framework of disclosures applies to SSFB. The Bank does not have any subsidiary, nor does it have any interest in any insurance entity. All the information in this document is made as a standalone entity.

II. Capital Adequacy Framework and Capital Structure (DF)– 2

Qualitative Disclosure:

The Bank is subject to the capital adequacy framework as per the “Operating Guidelines for Small Finance Bank” from Reserve of India (RBI). As per capital adequacy framework, the Bank is required to maintain a minimum Capital to Risk Weighted Assets (CRAR) of 15% with minimum Tier I capital as 7.5%. As of now, capital conservation buffer and counter cyclical buffer are not applicable for Small Finance Banks (SFBs).

For the purpose of capital adequacy, only credit risk is covered since there is no separate capital charge prescribed for market risk and operational risk as per the direction of RBI. For computation of capital for credit risk of SFBs, RBI has prescribed Basel II Standardized Approach and has permitted the use of external rating-based risk weights for rated exposure and regulatory retail approach for small retail loans.

For better assessment of the capital, the Bank is having Internal Capital Assessment Process (ICAAP) with Simplified Approach, considering its nature, scope, geographic spread, complexity and quantum of operations. Our risk management practices are in line with the required degree of supervision for a Small Finance Bank.

The Bank’s ICAAP focuses to ensure that the Bank has sufficient capital to support all the risks inherent to its business and an adequate capital buffer based on the business profile to cover future unforeseen risks up to a certain degree. The change in the level of credit risk, market risk and interest rate risk along with the changes in on- balance sheet and off-balance sheet exposures are assessed under different stress scenarios by the Bank to have better assessment of the capital requirement.

Quantitative Disclosure

Capital required for Credit Risk given below is arrived at after multiplying the risk-weighted assets by 15%.

(₹ in Crores)

Sr. no.	Particulars	Amount as on 31 Mar 25
(a)	Capital Requirement for Credit Risk:	
	Portfolios subject to Standardized Approach	282.45
	Securitization exposures	-
(b)	Capital Requirement for Market Risk:	
	i) Interest Rate Risk	NIL
	ii) Foreign exchange Risk (including Gold)	NIL
	iii) Equity Risk	NIL
(c)	Capital Requirement for Operational Risk:	
	Basic Indicator Approach	NIL
(d)	Total Capital Requirement (a+b+c)	282.45
(e)	Total Risk Weighted Assets	1,883.02
(f)	Total Capital Fund	394.55
(g)	Capital Adequacy Ratio	
	Common Equity Tier-1	18.37%
	Tier-1	18.37%
	Tier-2	2.58%
(h)	Total CRAR	20.95%

Risk Exposure and Assessment

The Bank is exposed to certain broad risks, which are monitored and mitigated on an ongoing basis. Credit Risk, Operational Risk, Information Security and Market & Liquidity Risk are the Risks which are been monitored based on Board Approved policies of the Bank which are reviewed at annual intervals or based on certain key ad hoc changes in between the annual frequency.

Risk Governance Model

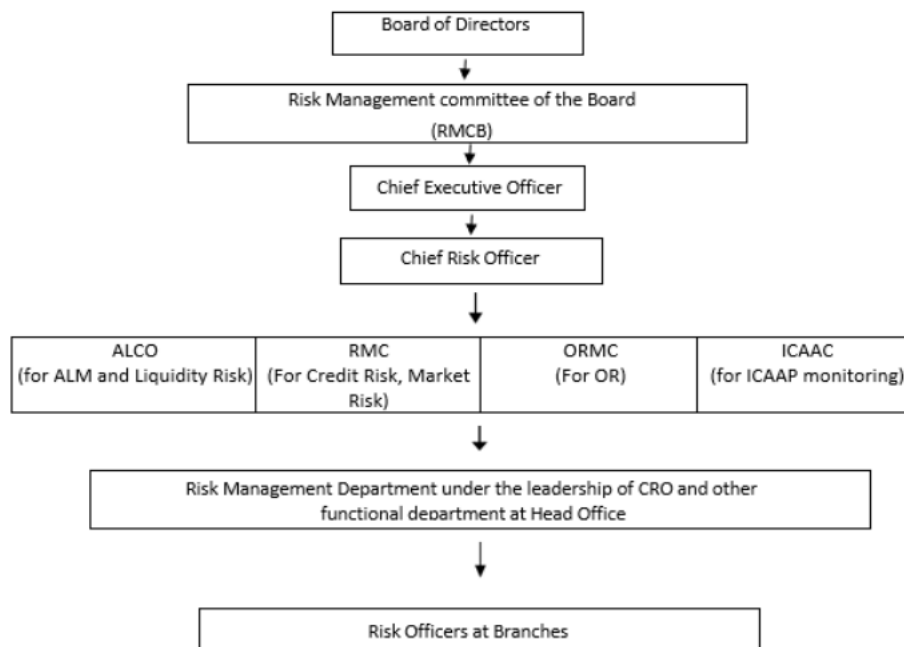
The Bank has developed a system to manage & control various risks across business verticals. Under this model, Business Verticals are made aware of the level of Risk to be taken, management of these Risks and taking Bankable risks. The Risk Department of the Bank have a well-defined policy framework, which makes the analysis impactful for monitoring, and reporting standardized. Internal Audit team also provide an impartial assessment of

the process followed by all departments including Risk department under the Risk Control Self-Assessment exercise.

Extent RBI Guidelines on Basel Capital Regulations have been implemented and the Bank is adequately capitalized as per the current requirements. An independent Risk Governance Structure, in line with best practices, has been put in place, in the context of segregation of duties and ensuring independence of Risk Measurement, Monitoring and Control functions.

Risk Governance Framework

The Bank has well defined and approved reporting structure of Risk related agenda items to the Bank' Board. The organizational structure for Risk Management is as follows:



- i) **Board Level Governance:** The Board guides the Management by approving the various policies and documents like Bank's Risk Appetite Statement, Capital Planning Framework etc. which is then communicated to appropriate internal stakeholders of the Bank. The Board monitors performance against Risk Appetite through regular updates from Risk Management Committee of the Board (RMCB) and the top-level Management. RMCB assists the Board with respect to risk oversight. The principal Board level committees are listed below:

- The Board of Directors (BOD)
 - The Risk Management Committee of the Board (RMCB)
 - The Audit Committee of the Board (ACB)
- ii) Management Level Governance: The Bank has adopted three lines of defense strategy to manage risks in the organization. The three defenses are as under:

1st Line of Defense- The business line, the first line of defense, has ownership and accountability of risk, whereby it acknowledges and manages the day-to-day risks that it incurs in conducting its activities.

2nd line of Defense- Second Line of Defense comprises of the following independent functions

- Risk Management- The risk management function is responsible for further identifying, measuring, monitoring and reporting risks on an enterprise-wide basis as part of the second line of defense, independently from the first line of defense.
- Compliance- Compliance is responsible for overall oversight and monitoring and ensuring that the bank operates in compliance with applicable laws, regulations and internal policies.

3rd Line of Defense- The internal audit function acts as the third line of defense, conducting risk-based and other audits & reviews to provide assurance to the Board that the overall governance framework, including the risk governance framework, is effective and that policies and processes are in place and consistently applied.

III. Credit Risk: General Disclosures (DF) – 3

1. Qualitative Disclosure:

Credit Risk is defined as the possibility of losses due to outright default due to the inability or unwillingness of a customer or counterparties to meet commitments in relation to lending, trading, settlement and other financial transactions. In addition, 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 a Sovereign. Past Due contracts are those which have failed to make the scheduled payment on the given due date. Impaired accounts are those which have not paid three consecutive EMIs or are irregular for period of more than 90 days or in running account facility three months interest is not serviced consecutively.

The Credit Risk Management Committee at the management level proactively assesses portfolio quality, prudential limits and inherent risks. It also frames policies and sets limits to mitigate identified risk. Governance control is vested with the Risk Management Committee (RMC) of the Board, which monitors and provides guidance on the risk

assessment and capital adequacy as well as ensures timely and effective implementation of policies. Policies such as the credit policy, investment policy, enterprise-wide risk management policy, NPA policy and collection policy are defined to effectively manage credit risk.

A non-performing asset (NPA) is a loan or an advance which falls under any of the following category:

- Interest and/ or instalment of principal remain overdue for a period of more than 90 days in respect of a term loan.
- The account remains 'out of order', in respect of an Overdraft/Cash Credit (OD/CC).
- The bill / cheques purchased remains overdue for a period of more than 90 days in the case of bills/ cheques purchased and discounted.
- The instalment of principal or interest thereon remains overdue for two crop seasons for short duration crops.
- The instalment of principal or interest thereon remains overdue for one crop season for long duration crops.
- The amount of liquidity facility remains outstanding for more than 90 days, in respect of securitization transaction undertaken in terms of the directions issued by RBI.
- In respect of derivative transactions, the overdue receivables representing positive mark-to market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment.
- In case of interest payments, banks shall classify an account as NPA only if the interest due and charged during any quarter is not serviced fully within 90 days from the end of the quarter.

The RMD shall be responsible for identification, assessment, quantification, and aggregation of credit risks of the Bank and shall be responsible for formulation, evaluation, and improvement of risk management /control /mitigation tools in the Bank.

The broad functions of the Risk Management Department would be as follows:

- Measure, control and manage credit risk on a Bank-wide/ Cluster-wise/ Product wise basis within the limits set by the Board / RMC.
- Monitor quality of loan portfolio, identify problems and correct deficiencies.
- Compute and analyze the RWA and credit risk capital computation results and apprise the same to RMC.
- Enforce compliance with the risk parameters and prudential limits set by the Board / RMC.
- RMD shall be responsible for credit risk capital calculation.
- Lay down risk assessment processes; develop MIS for reporting to senior management.

- Documenting changes to the rating process, criteria or individual rating parameters and retained for RBI to review.
- Undertake Stress testing of portfolios and provide inputs for ICAAP.

2. Quantitative Disclosure:

a) Total Gross Credit Risk Exposure by Facility as on 31 Mar 25:

Facility Type	Credit Exposure (₹ in Crores)
Fund Based	2,970.44
Non-Fund Based	3.01
Total	2,973.46

b) Total Gross Credit Risk Exposure by Geography:

Category	(₹ in Crores)		
	Fund Based	Non-Fund Based	Total Credit Exposure
Domestic	2,970.44	3.01	2,973.46
Overseas	NIL	NIL	NIL
Total	2,970.44	3.01	2,973.46

c) Residual Contractual Maturity Breakdown:

Amount as on 31 Mar 25 (₹ in crore)						
Particulars	Loans & Advances (INR)*	Investments (INR)	Deposits (INR)	Borrowings (INR)**	Foreign currency Assets	Foreign currency Liabilities
1 day	27.80	127.97	61.44	95.06	NIL	NIL
2 to 7 days	44.89	16.65	81.98	0.00	NIL	NIL
8 to 14 days	60.86	7.83	138.12	4.49	NIL	NIL
15 to 30 Days	85.24	11.09	164.69	4.17	NIL	NIL
31 Days to 2 months	58.24	37.49	71.17	0.00	NIL	NIL
Over 2 months to 3 months	76.12	9.40	75.04	40.00	NIL	NIL
Over 3 months to 6 months	204.55	47.20	277.35	36.18	NIL	NIL
Over 6 months to 1 year	700.57	101.16	780.31	212.69	NIL	NIL
Over 1 year to 3 years	907.20	194.39	1257.25	75.53	NIL	NIL
Over 3 years to 5 years	199.30	21.37	142.52	30.00	NIL	NIL
Over 5 years	528.35	16.65	111.19	16.95	NIL	NIL
Total	2893.12	591.20	3161.06	515.06	NIL	NIL

*Loans and Advances includes only performing advances.

**Borrowings includes LTD and NCD

Classifications of Non-Performing Assets & Provisioning

Advances are classified as Performing Assets (Standard) and Non-performing Assets (NPAs) in accordance with the RBI guidelines on Income Recognition and Asset Classification (IRAC). Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by RBI. The advances are stated net of specific provisions made towards NPAs, unrealized interest on NPAs, if any etc. Interest on NPAs is transferred to an interest suspense account and not recognized in the Profit and Loss Account until received.

Provision for non-performing advances comprising Sub-standard, Doubtful and Loss Assets is made in accordance with the RBI guidelines. In addition, specific loan loss provisions in respect of non-performing assets are made based on management's assessment and estimates of the degree of impairment of advances, based on experience, evaluation of security and other related factors, the nature of product and delinquency levels. Loan loss provisions in respect of non-performing advances are charged to the Profit and Loss Account and included under Provisions and Contingencies.

Position of Non-performing Assets (NPA):

(₹ in Crores)	
Particulars	Amount as on 31 Mar 25
Gross Advances	2,970.44
Net Advances	2,934.56
Gross NPA	80.13
Sub-standard	64.25
Doubtful 1	5.81
Doubtful 2	2.84
Doubtful 3	4.60
Loss	2.62
NPA Provision	35.88
Floating Provision	0.00
Net NPA	44.25
Gross NPA to Gross Advances (%)	2.70%
Net NPA to Net Advances (%)	1.51%

Movement of Non-performing Assets (NPA Gross):

(₹ in Crores)

Particulars	Amount as on 31 Mar 25
Opening Balances (As on 1st Jan 2025)	65.68
Additions	24.51
Write Offs	0.00
Reductions	10.07
Closing Balances	80.13

Movement of NPA Provisions:

Particulars	Amount as on 31 Mar 25
Opening Balances (As on 1st Jan 2025)	23.93
Provisions made during the period	13.73
Write offs	0.00
Reduction (Accounts became standard or closed or balance reduced)	1.78
Closing Balances	35.88

Movement of provisions for depreciation on investments:

Particulars	Amount as on 31 Mar 25
Opening Balance (As on 1st Jan 2025)	0.00
Provisions made during the period	0.00
Write offs	0.00
Write Back of excess provision	0.00
Closing Balance	0.00

IV. Credit Risk- Disclosures for Portfolios Subject to Standardized Approach DF-4

In line with the RBI licensing guidelines on Small Finance Banks, Bank ensures that at least 50 per cent of its loan portfolio constitutes loans and advances of Up to ₹25 lakh.

The Bank has used the Standardized Approach under the RBI's Basel capital regulations for its credit Portfolio.

Category	Amount as on 31 Mar 2025
Below 100% Risk Weight	1325.24
100% Risk Weight	449.79
More than 100% Risk Weight	107.98
Closing Balance	1883.02