SHIVALIK

Shivalik Small Finance Bank

Basel Pillar 3 Disclosures as on 30-09-2021

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I. Introduction

Reserve Bank of India has granted a banking license on January 1, 2021, to Shivalik Small Finance Bank pursuant to the in-principle approval granted to Shivalik Small Finance Bank for transitioning to a Small Finance Bank, on January 6, 2020 in accordance with the RBI's circular dated September 27, 2018 on the "Voluntary Transition of Primary (Urban) Co-operative Banks (UCBs) into Small Finance Banks (SFBs). Shivalik Small Finance Bank commenced business on 26 April 2021 post the completion of all transition related steps making it the first Small Finance Bank in India to have transitioned from an Urban Co-operative Bank.

II. Scope of Application

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

III. Capital Adequacy Framework and Capital Structure

Framework

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 based risk weights for rated exposure and regulatory retail approach for small retail loans.

Assessment

For better assessment of the capital, the Bank has an Internal Capital Assessment Process (ICAAP) on the 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 upto 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.

Besides computing CRAR under the Pillar I requirements, the Bank has set up sound corporate governance and control practices to identify, assess and manage risks.

Capital Funds

Sr.no.	Particulars	Amount as on Sept 30th, 2021
A	**Tier I Capital**	
	Paid-up Share Capital	88.95
	Reserves	13.84
	Innovative Tier 1 Capital instruments	0.00
	Minority Interest	0.00
B	**Deductions**	
	Investments in instruments eligible for regulatory capital of financial subsidiaries/associates	-
	Securitisation exposures including credit enhancements	-
	Deferred Tax Assets	-
	Good will and Adjustments forless liquid position	-
	Deferred revenue expenditure	-
	Intangible assets	-
C	**Net Tier 1 Capital**	-
D	**Tier II Capital**	
	General Provisions	3.13
	Upper Tier 2 capital instruments	-
	Lower Tier 2 capital instruments	14.11
	Investment fluctuation reserve	-
E	**Deductions**	-
	Investments in instruments eligible for regulatory capital of financial subsidiaries/associates	-
	Securitisation exposures including credit enhancements	-
F	**Net Tier 2 Capital**	17.24
	Total Eligible Capital	120.04

Capital Requirement for various Risks and Risk Weighted Assets

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

Sr.no.	Particulars	Amount as on Sept 30th, 2021
(a)	**Capital Requirement for Credit Risk:**	
	Portfolios subject to Standardized Approach	94.47
	Securitization	5.97
(b)	**Capital Requirement for Market Risk:**	
	Interest Rate Risk	0
	Foreign exchange Risk (including Gold)	-
	Equity Risk	-
(c)	**Capital Requirement for Operational Risk:**	
	Basic Indicator Approach	0
(d)	Total Capital Requirement (a+b+c)	**100.44**
(e)	Total Risk Weighted Assets	669.63
(f)	**Total Capital Fund**	120.05
(g)	**Capital Adequacy Ratio**	
	Common Equity Tier-1	15.35%
	Tier-1	15.35%
	Tier-2	2.58%%
(h)	**Total CRAR**	**17.93%**

IV. Leverage Ratio

Leverage ratio is a non-risk- based measure of exposure over capital. The leverage ratio is calibrated to act as a credible supplementary measure to the risk- based capital requirements. Leverage Ratio = Capital Measure (Tier I Capital)/Exposure Measure.

As per operating guidelines for SFBs, the Bank is required to maintain leverage ratio of 4.50%. The Bank's leverage ratio, calculated in accordance with RBI guidelines under consolidated framework, is as follows:

Sr.no.	Items	Amount as on Sept 30th, 2021
On-Balance Sheet Exposure		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	1566.08
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	-
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**1566.08**
Derivative Exposure		
4	Replacement cost associated with all derivatives transactions (i.e., net of eligible cash variation margin)	-
5	Add-on amounts for PFE associated with all derivatives transactions	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8	(Exempted CCP leg of client-cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11	**Total derivative exposures (sum of lines 4 to 10)**	-
Securities Financing Transaction Exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	CCR exposure for SFT assets	-
15	Total securities financing transaction exposures (sum of lines 12 to 15)	-
16	Other off-balance sheet exposures	-
17	Off-balance sheet exposure at gross notional amount	2.26
18	(Adjustments for conversion to credit equivalent amounts)	**-**
19	Off-balance sheet items (sum of lines 17 and 18)	**2.26**
Capital and Total Exposures		
20	Tier 1 capital	102.8
21	Total exposures (sum of lines 3, 11, 16 and 19)	1568.34
Leverage Ratio		
22	Basel III leverage ratio	**6.56%**

V. Reconciliation of total published balance sheet size and on balance sheet exposure

Sr.no.	Particulars	Amount as on Sept 30th, 2021
1	Total consolidated assets as per published financial statements	1566.08
2	Replacement cost associated with all derivatives transactions, i.e., net of eligible cash variation margin	-
3	Adjustment for securities financing transactions (i.e., repos and similar securedlending)	-
4	Adjustment for entities outside the scope of regulatory consolidation	-
5	**On-balance sheet exposure under leverage ratio (excluding derivatives and SFTs)**	**1566.08**

VI. Summary Comparison of accounting assets and leverage ratio exposure

Sr.no.	Particulars	Amount as on Sept 30th, 2021
1	Total consolidated assets as per published financial statements	1566.08
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
3	Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
4	Adjustments for derivative financial instruments	-
5	Adjustment for securities financing transactions (i.e., repos and similar secured lending)	-
6	Adjustment for off-balance sheet items (i.e., conversion to credit equivalent amounts of off- balance sheet exposures)	2.26
7	Other adjustments	-
8	**Leverage ratio exposure**	**1568.34**