Basel III – Pillar 3 disclosures for the quarter ended 30th September 2014

1. Scope of Application and Capital Adequacy

Table DF-1
Scope of Application

Sumitomo Mitsui Banking Corporation, New Delhi Branch

Sumitomo Mitsui Banking Corporation (SMBC) was established in 2001 following the merger of two of Japan's leading banks namely Sakura and Sumitomo. SMBC is Head quartered in Tokyo-Japan. SMBC is the banking arm of Sumitomo Mitsui Financial Group. SMBC and its group companies offer a broad range of financial services centered on banking. They are also engaged in the leasing, securities, credit card, investment, mortgage securitization, venture capital and other credit related businesses. SMBC in India has received Banking License from RBI and have established its 1st Branch in New Delhi and started with commercial operations in the financial year 2012-2013. The information provided in this statement is consolidated for the Bank's operations in India through only branch in New Delhi.

Qualitative Disclosures:

Name of entity/ Country of incorporation	Whether the entity is included under accounting scope of consolidation (yes/no)	Explain the method of consolidation	Whether the entity is included under regulatory scope of consolidation (yes/no)	Explain the method of consolidation	Explain the reasons for difference in the method of consolidation	Explain the reasons if consolidated under only one of the scopes of consolidation
Sumitomo Mitsui Banking Corporation /Tokyo	No	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

a. List of group entities considered for consolidation

The bank is operating through its single branch in India. Hence, there is no consolidation requirement applicable to bank for accounting and regulatory purposes.

b. List of group entities not considered for consolidation both under the accounting and regulatory scope of application

Not Applicable

Quantitative Disclosures:

c. List of group entities considered for consolidation

Not Applicable

d. The aggregate amount of capital deficiencies in all the subsidiaries which are not included in the regulatory scope of consolidation i.e. that are deducted:

NIL

e. The aggregate amounts (e.g. current book value) of the bank's total interests in insurance entities, which are risk weighted:

NIL

f. Any restrictions or impediments on transfer of funds or regulatory capital within the banking group:

Not Applicable

Table DF-2

Capital Adequacy:

Qualitative disclosures

a. **Bank's approach to assessing the adequacy of its capital to support current and future activities:**
   The Bank's maintains a strong capital to have confidence of depositors and market and to sustain future business developments.
   The bank will be implementing the Basel III as directed by the Reserve Bank of India and currently follows Standardised approach for credit and market risk and Basic Indicator approach for operational risk.

Quantitative Disclosures:

Capital requirement for credit, market and operational risk and Tier I capital ratio as on September 30, 2014 is detailed as below: -

(Rs. in millions)

	PARTICULARS	**30-Sep-14 AMOUNT**
b	Capital requirement for credit risk	
	- Portfolios subject to standardised approach	2,509.60
	- Securitisation exposures	0.0
c	Capital requirement for market risk	126.32
	Standardised duration approach	
	-Interest rate risk	54.32
	-Foreign exchange risk	72.00
	-Equity risk	0.00
d	Capital requirement for operational risk	
	-Basic indicator approach	87.14
e	Common Equity Tier 1, Tier 1 and Total capital ratios: -For the top consolidated group -For significant bank subsidiaries (stand alone or sub-consolidated depending on how the Framework is applied)	The bank is a single entity with one branch in India CET 1- 115.33% Tier 1 Capital ratio-115.33% Total Capital ratio- 115.67%

2. Risk Exposure and Assessment

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

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

- Credit Risk
- Market Risk
- Operational Risk
- Liquidity Risk
- Interest Rate Risk in the Banking Book

Risk Management framework

Overview

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

Credit Risk

Credit risk refers to risk of any losses the Bank may incur due to reduction or loss of the value of assets (including off balance-sheet assets) arising from any credit events such as deterioration of borrowers' financial standing. The purpose of credit-risk management is to maintain the soundness of the Bank's assets by controlling credit risk at acceptable levels relative to the amount of Capital so as to avoid the emergence of such risk and to contribute to the interests of stakeholders by realizing the establishment of a credit portfolio with high capital and asset efficiency by securing appropriate levels of profits corresponding to risk.
The SMBC Head Office formulates policies, rules and procedures for the SMBC group worldwide. The Branch has put in place credit policy for local operations in line with the SMBC guidelines as well as the RBI circulars, guidelines, notifications and directives. The credit policy stipulates guidelines for adherence to prudential limits as well as outlines the RBI directives in the form of master circulars. The credit policy for local operations is reviewed periodically to accommodate RBI directions. The Bank's has independent committee for evaluation of credit proposals. The Bank has also laid an elaborate stress test policy for credit risk and subject the portfolio periodically to the shocks as prescribed. The Bank has a comprehensive credit risk framework to manage Credit Risk, in a uniform and consistent manner.

- To maintain independence and integrity of credit decision-making, credit approval function is segregated from loan origination.
- To adhere to the RBI prudential requirements with respect to lending norms and ensure correcting any breaches to such prudential guidelines.
- To maintain a diversified portfolio of assets and avoid undue concentration in exposure to a particular industry.
- All credit proposals are analysed on qualitative and quantitative parameters to facilitate objective decision making relating to credit worthiness of the borrower.
- As a matter of policy, all credit facilities are reviewed / renewed annually. An account would be classified as NPA based on RBI guidelines.

The portfolio is monitored in terms of growth, quality and concentration on regular basis. The credit portfolio is also subjected to stress test by way of sensitivity (single and multiple factor) and scenario analysis on regular basis.

The Risk Management Committee (RMC) at the Bank, represented by members of the credit risk, treasury, operations, information technology and other critical departments; meets regularly to examine and evaluate the risk profile of the Bank. The RMC adopts pro-active approach towards mitigating the risk in order to ensure smooth banking operations.

Table DF-3

<u>Credit risk: General disclosures for all banks</u>

Qualitative Disclosures

a. Credit quality of Loans and Advances

Even though the Bank is following Standardisation Approach, yet the Bank has an established internal credit rating system that facilitates decision making by taking into account quantitative and qualitative aspects of the proposal for credit facilities. The credit rating system analyse the inherent risk relating to facility as well as the borrower and assigns a rating that is indicative risk profiling of the proposal.

The monitoring of the portfolio is undertaken on continuous as well as periodic basis. The portfolio analysis is undertaken to estimate credit concentration, asset growth as well as adherence to prudential norms.

All loans and advances in the Bank are classified according to asset quality, nature and number of days in arrears in accordance with RBI guidelines. For accounting purposes definition of RBI for past due and impaired assets are adopted. Standard accounts include all facilities which demonstrate good financial condition, minimum risk factors and capacity to repay in line with the original terms of sanction.

Non-Performing Assets (NPA)

Bank has adopted the definitions of 'past due' and 'impaired' (for accounting purposes) as defined by the regulatory authority for Income Recognition and Asset Classification. An account becomes NPA if it remains overdue for a period as defined by the Reserve Bank of India. An impaired asset is an asset which has suffered a provision in accordance with the guidelines defined by the Reserve Bank of India on its becoming a NPA.

Quantitative Disclosures

b. **Total Gross credit risk exposures, Fund based and Non-fund based separately**

- Fund Based- INR 13,286.60 Million (Excluding Inter-bank exposure & other assets)
- Non Fund Based- INR 3,782.53 Million

c. Geographical distribution of exposures, Fund based and Non-fund based separately

(Rs. in millions)

	Mar-14	**Mar-14**	**Mar-14**
Particulars	**Domestic**	**Overseas**	**Total**
Fund Based	13,286.60	NIL	13,286.60
Non Fund Based	3,782.53	NIL	3,782.53
Total	**17,069.13**	**NIL**	**17,069.13**

d. Industry type distribution of exposures, fund based and non-fund based separately.

(Rs. in millions)

Industry	Funded Exposure	Non-Funded Exposure
Chemical & Chemical Products- Fertilizers	--	181.57
Chemical & Chemical Products- Others	465.00	52.32
Rubber, Plastic & their products	170.00	--
Iron & Steel	3,340.10	32.47
Other Metal & Metal products	--	--
Engineering- Electronics	1,152.00	118.34
Engineering- Others	550.00	154.04
Vehicle, Parts & Transport Equipment's	3,058.50	512.48
Energy- Oil	--	--
Other Industries (includes NBFC's)	4,551.00	993.11
Banking Industry (Derivatives & Forwards)	--	1738.20
TOTAL	**13,286.60**	**3,782.53**

e. Residual Contractual maturity break down of Assets

(Rs. in millions)

MATURITY BUCKETS	Cash balances with RBI and other Banks	Investment Securities	Loans and Advances	Other Assets including fixed assets
Next Day	6051.66	0.00	3306.00	34.42
2 TO 7 Days	1027.74	0.00	577.60	21.80
8 TO 14 Days	2855.91	1247.71	1110.00	57.51
15 to 28 days	4614.19	2192.42	1672.50	97.74
29 days to 3 months	9374.58	7689.23	1027.00	170.94
Over 3 months upto 6 months	4155.84	971.49	3619.50	98.32
over 6 months upto 12 months	7.19	0.00	1564.00	188.21
Over 1 year to 3 years	96.22	0.00	376.00	0.00
Over 3 years to 5 years	0.00	0.00	34.00	348.80
Over 5 years	1.50	0.00	0.00	499.47
Total	**28184.83**	**12100.85**	**13286.66**	**1517.21**

f. Amount of NPA (Gross)

NIL

g. Net NPA's

NIL

h. NPA Ratios

- **Gross NPA to gross advances:** NIL
- **Net NPA to net advances:** NIL

i. Movement of NPAs (Gross)

- **Opening Balance:** NIL
- **Additions:** NIL
- **Reductions:** NIL
- **Closing Balance:** NIL

j. Movement of provisions for NPA

Not Applicable

k. Amount of Non-Performing Investments

NIL

l. Amount of provision held for non-performing investments

NIL

m. Movement of provisions for depreciation on investments

Not Applicable

Table DF-4

Credit Risk: Disclosures for portfolios subject to the standardised approach:

Qualitative Disclosures:

In line with RBI directive of implementation of the New Capital Adequacy Framework, the Bank accepts the ratings of RBI prescribed following External Credit Rating Agencies (ECRA); under standardisation approach:

Domestic ECRA	International ECRA
• Credit Analysis and Research Limited (CARE)	• Moody's
• CRISIL Limited	• Standard & Poor's
• India Ratings and Research Private Limited (India Ratings) (formerly FITCH India)	• Fitch
• ICRA Limited	
• Brickwork Ratings India Private Limited	
• SMERA Ratings Limited	

The risk weights are mapped to the ratings assigned. The facilities for which the rating from ECRA is not available are treated as unrated and corresponding risk weight is assigned depending upon the tenor of the facility.

Quantitative Disclosures:

The exposure under each credit risk category is as follows:

(Rs. in millions)

Particulars	**Sep-14**
Risk Bucket	**Amount**
Below 100% Risk Weight	30354.75
100% risk weight	9598.42
More than 100% risk weight	6542.62
Total	**46495.79**