DISCLOSURES UNDER PILLAR-3-MARKET DISCIPLINE OF BASEL-III-CAPITAL REGULATIONS FOR THE QUARTER ENDED 30th JUNE 2015

1. Scope of Application and Capital Adequacy

Table DF-1
Scope of Application

Name of the head of the banking group to which the framework applies: - SUMITOMO MITSUI BANKING CORPORATION, NEW DELHI BRANCH

Sumitomo Mitsui Banking Corporation (SMBC) was established in the year 2001 following the merger of two of Japan's leading banks namely Sakura and Sumitomo. SMBC is headquartered in Tokyo-Japan. SMBC is the banking arm of Sumitomo Mitsui Financial Group (SMFG). SMBC and its group companies offer a broad range of financial services centered at banking. SMFG is also engaged in the leasing, securities, credit card, investment, mortgage securitization, venture capital and other credit related businesses.

In India, SMBC received Banking License from RBI on May 18, 2012 and established its Branch in New Delhi. The commercial operations of the bank started during the financial year 2012-2013. The information provided in the disclosures is consolidated for the Bank's operations in India through only branch located in New Delhi.

Qualitative Disclosures:

a. List of group entities considered for consolidation

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
The bank is a single branch operating 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:

Not Applicable

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:

NIL

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 maintains a strong base of capital to comply with the local regulatory requirements and also to adequately support it's current and future activities.

The Internal Capital Adequacy Assessment Process conducted and documented through ICAAP, details the business plans of the bank and assessment of requirement/adequacy of capital for future years, under the normal and stressed conditions.

Quantitative Disclosures:

Capital requirement for credit, market and operational risk and Tier I capital ratio as on June 30, 2015 is detailed as below: -

(Rs. in millions)

	PARTICULARS	**30-Jun-15 AMOUNT**
b	Capital requirement for credit risk	
	- Portfolios subject to standardised approach	4060.20
	- Securitisation exposures	0.0
c	Capital requirement for market risk	367.21
	Standardised duration approach	
	-Interest rate risk	295.21
	-Foreign exchange risk	72.00
	-Equity risk	0.00
d	Capital requirement for operational risk	
	-Basic indicator approach	200.29
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)	CET- Tier 1 Capital Ratio 62.06% Total Capital ratio- 62.50% The bank is a single entity with one branch in India

2. Risk Exposure and Assessment

General qualitative disclosure on risk area, risk management objectives, policies and processes etc.

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

- Credit Risk (including credit concentration 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.

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.

Market Risk / Liquidity Risk

Market risk is the risk whereby movements in market factors such as foreign exchange rates, interest rates and equity prices reduce our income or the market value of our portfolios. Exposure to market risk is mainly classified into structural banking books. SMBC New Delhi Branch Policies on Market risk and Liquidity Risk have been put in place to cater to HO Guidelines and Local Regulatory guidelines.

Market Risk on the portfolio is assessed and managed through measures such as price value of one basis point, value-at-risk, stop loss and net overnight open position limits. The risk associated with our banking book is also measured through matrices such as duration of equity, earnings at risk and liquidity gap limits. The limits are stipulated in our Investment Policy, Asset Liability Management Policy and Derivatives Policy which are reviewed and approved by local Management Committee (MC).

The Asset Liability Management Committee (ALM Committee) comprises senior management and senior executives. ALM meets periodically and reviews the Bank's business profile and its impact on asset liability management and determines the asset liability management strategy in light of the current and expected business environment. ALM reviews the overall portfolio position and the interest rate and liquidity gap positions on the banking book. ALM also sets deposit and benchmark lending rates. The Market Risk Management (MRM) team in consultation with Treasury Department (TRD) recommends changes in risk policies and controls and the processes and methodologies for quantifying and assessing market risks. Risk limits including position limits and stop loss limits are monitored by the TRD and MRM and reviewed periodically. Foreign exchange risk is monitored through the net overnight open position limit. Interest rate risk is measured through the use of re-pricing gap analysis and duration analysis. Interest rate risk is further monitored through interest rate risk limits approved by ALM.

The Bank uses various tools for measurement of liquidity risk including the statement of structural liquidity, dynamic liquidity gap statements, liquidity ratios and stress testing. Our Bank maintains diverse sources of liquidity to facilitate flexibility in meeting funding requirements.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. Operational risk includes legal risk but excludes strategic and reputational risks. Operational risk is inherent in the Bank's business activities in both domestic as well as overseas operations and covers a wide spectrum of issues. Operational risk can result from a variety of factors, including failure to obtain proper internal authorizations, improperly documented transactions, failure of operational and information security procedures, computer systems, software or equipment, fraud, inadequate training and employee clerical errors.

Operational risk in the Branch is managed through comprehensive HO rules and SMBC New Delhi branch procedures of internal controls, systems and procedures to monitor transactions, key backup procedures and undertaking regular contingency planning. The control framework is designed based on categorization of functions into front-office comprising business groups, middle office comprising credit and treasury middle offices, back-office comprising operations, Financial Accounting Department (FAD), General Affairs Section (GAS) function.

The Bank's operational risk management governance and framework is defined in the Risk Management Charter approved by Planning Department Asia Pacific Division (PDAPD) and local management committee. The Policy is applicable across all the functions in the branch ensuring a clear accountability and responsibility for management and mitigation of operational risk, developing a common understanding of operational risk and helping the business and operation groups to improve internal controls, thereby reducing the probability of an Operational Risk event.

The Risk Management Committee (RMC) at the Bank, represented by Senior Management of the Bank along with 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 coverage includes all the material risks envisaged by the bank both Pillar I as well as Pillar II Risks as per RBI / Basel Guidelines. The RMC adopts pro-active approach towards mitigating the risk in order to ensure smooth banking operations.

Table DF-3
Credit risk: General disclosures for all banks

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 analyses 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

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 26,113.03 Million (Excluding Inter-bank exposure & other assets)
- Non Fund Based- INR 8,232.70 Million(Includes derivatives & Inter-bank exposure)

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

(Rs. in millions)

	June-15	**June-15**	**June-15**
Particulars	**Domestic**	**Overseas**	**Total**
Fund Based	26,113.03	NIL	26,113.03
Non Fund Based	8,232.70	NIL	8,232.70
Total	**34,345.73**	**NIL**	**34,345.73**

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	--	--
Chemical & Chemical Products- Others	670.50	15.50
Chemical & Chemical Products- Petrochemicals	1,909.35	229.22
Rubber, Plastic & their products	--	--
Iron & Steel	3,182.25	171.79
Other Metal & Metal products	--	--
Engineering- Electronics	1,806.58	121.72
Engineering- Others	1,154.00	1,171.70
Vehicle, Parts & Transport Equipment's	7,644.35	689.70
Energy- Oil	--	61.50
Energy- Electricity	--	463.54
Other Industries (includes NBFC's)	9,406.00	945.65
Textiles	340.00	--
Banks & FI's (Derivatives & Forwards)	--	4,362.38
TOTAL	**26,113.03**	**8,232.70**

e. Residual Contractual maturity break down of Assets

(Rs. in millions)

MATURITY BUCKETS	Investment Securities	Loans and Advances	Foreign Currency Assets
Next Day	0.00	1,296.37	323.93
2 TO 7 Days	0.00	9,272.89	0.00
8 TO 14 Days	499.13	667.10	0.00
15 to 28 days	497.60	4,652.20	0.00
29 days to 3 months	15,041.66	5,526.34	5,091.60
Over 3 months upto 6 months	15,378.91	278.42	0.00
over 6 months upto 12 months	0.00	2,702.18	0.00
Over 1 year to 3 years	0.00	1,125.64	0.00
Over 3 years to 5 years	0.00	509.99	0.00
Over 5 years	0.00	81.90	445.52
Total	**31,417.30**	**26,113.03**	**5,861.05**

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	
SME Rating Agency of India 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 (including derivatives & Inter-bank) under each credit risk category is as follows:

(Rs. in millions)

Particulars	**June-15**
Risk Bucket	**Amount**
Below 100% Risk Weight	16,356.22
100% risk weight	15,337.14
More than 100% risk weight	17,259.64
Total	**48,953.00**