DISCLOSURES UNDER PILLAR – 3 OF BASEL – III, FOR THE HALF YEAR ENDED SEPTEMBER 30, 2021

Table DF-1 - Scope of Application

Name of the head of the banking group to which the framework applies: - **Sumitomo Mitsui Banking Corporation, India Branches.**

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, headquartered in Tokyo-Japan. is the banking arm of Sumitomo Mitsui Financial Group. The Group offers a broad range of financial services such as banking, 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 first Branch in New Delhi. The commercial operations of the bank started during the financial year 2012-2013. In the financial year 2016-17, having received license from RBI, the Bank extended its operations in Mumbai through establishment of its second branch on March 21, 2017. The bank further expanded its operations through one more branch established in Chennai which commenced its operations on November 18, 2020.

The information provided in this document is based on consolidated operations of the Bank in India, through all its branches.

(i) 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
As on September 30, 2021, the bank has been operating through three of its branches in India. Hence, there are no group entities for consolidation.						

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

Name of entity/ Country of incorporation	Principle activity of the entity	Total balance sheet equity (as stated in the accounting balance sheet of the legal entity)	% of bank's holding in the total equity	Regulatory treatment of bank's investments in the capital instruments of the entity	Total balance sheet assets (as stated in the accounting balance sheet of the legal entity)
As on September 30, 2021, the bank has been operating through three of its branches in India. Hence, there are no group entities for consolidation.					

(ii) __Quantitative Disclosures:__

c. List of group entities considered for consolidation

Name of the entity / country of incorporation (as indicated in (i) a. above)	Principle activity of the entity	Total balance sheet equity (as stated in the accounting balance sheet of the legal entity)	Total balance sheet assets (as stated in the accounting balance sheet of the legal entity)
As on September 30, 2021, the bank has been operating through three of its branches in India. Hence, there are no group entities for consolidation.			

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:

Name of the subsidiaries / country of incorporation	Principle activity of the entity	Total balance sheet equity *(as stated in the accounting balance sheet of the legal entity)*	% of bank's holding in the total equity	Capital deficiencies
Not Applicable				

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

Name of the insurance entities / country of incorporation	Principle activity of the entity	Total balance sheet equity *(as stated in the accounting balance sheet of the legal entity)*	% of bank's holding in the total equity/proportion of voting power	Quantitative impact on regulatory capital of using risk weighting method versus using the full deduction method
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 to adequately support its 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 Common Equity Tier 1, Tier-2 and Total Capital ratios as on September 30, 2021 are detailed as below: -

Currency INR Million

	Particulars	Amount
B	Capital requirements for credit risk	**30,716.44**
	- Portfolios subject to standardised approach	30,529.63
	- Securitisation exposures	186.81
C	Capital requirements for market risk	**1,205.53**
	Standardised duration approach	
	-Interest rate risk	1,025.57
	-Foreign exchange risk (including gold)	179.96
	-Equity risk	0.00
D	Capital requirements for operational risk -Basic indicator approach	**1,379.00**
E	Common Equity Tier-I, Tier-II and Total capital ratios: -For the top consolidated group; and - For significant bank subsidiaries (stand alone or sub-consolidated depending on how the Framework is applied)	CET-Tier-I Capital Ratio 29.53% Tier-II Capital Ratio 0.72% Total Capital Ratio- 30.25% The bank is operating with three branches in India.

Notes:

1. Capital requirement is calculated at 11.265% consisting 9.00% minimum requirement, 1.875% for Capital Conservation Buffer and 0.390% as buffer for Domestic/Global Systemically Important Banks (D/G-SIBs).
2. The regulatory requirement for implementation of the last tranche of 0.625% of Capital Conservation Buffer (CCB) by September 30, 2020 was deferred to April 01, 2021 vide RBI notification no. DOR.BP.BC.No.15/21.06.201/2020-21 dated September 29, 2020, with further deferment till October 01, 2021 vide notification dated February 05, 2021 and hence not considered.

3. The unrated claims on corporates, AFCs and NBFC-IFCs having aggregate exposure of more than INR 2,000 million from the banking system have been risk weighted at 150% with effect from April 01, 2019, as per regulatory prescription.
4. The regulatory guidelines prescribing additional risk weights, for unhedged foreign currency exposure, exposure beyond normally permissible lending limits for specified borrowers and undrawn portion of cash credit/overdrafts in case of large borrowers have, wherever applicable, also been considered by the bank in computation of Capital to Risk Weighted Assets Ratio.
5. In terms of RBI guidelines for implementation of Countercyclical Capital Buffer issued on February 05, 2015, the bank does not hold the same as the framework is yet to be activated by the Regulator.

2. Risk Exposure and Assessment

General qualitative disclosures 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 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 manage the risk at acceptable levels 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 SMBC branches worldwide. The Branch has put in place credit policy for local operations in line with 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 RBI directives in the form of master circulars / directions. The credit policy for local operations is reviewed periodically to accommodate RBI directions. The Bank has an independent committee for evaluation of credit proposals. The Bank also has an elaborate stress test policy for credit risk and subjects 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 bank, on a regular basis, monitors the portfolio in terms of growth, quality and concentration, subjects the credit portfolio to stress test by way of sensitivity (single and multiple factor) and scenario analysis. The Bank has also established an Early Warning Framework for identification of any incipient sickness in the borrower account at an early stage. Further, the Bank also extensively uses Central Repository of Information on Large Credits (CRILC), Credit Information Companies (CIC) and Central Fraud Reporting platforms while undertaking credit assessment.

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. SMBC India Branches' 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 metrics 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 considering 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 Team, in consultation with 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 using 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, 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 India Branches' 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, Finance and 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 to ensure smooth banking operations.

Table DF-3 - Credit risk: General Disclosures

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 considering 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 of risk profiling of the proposal.

The monitoring of the portfolio is undertaken at regular intervals and results of the analysis are presented to the Management Committee and Risk Management Committee. The portfolio analysis is undertaken to estimate credit concentration, asset growth, geographical spread as well as adherence to prudential norms such as Sectoral limits, Single borrower, Group borrower limits etc.

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 certain period as defined by the Reserve Bank of India. An impaired asset is an asset which has been classified as such in accordance with the guidelines defined by the Reserve Bank of India on it becoming a NPA.

Quantitative Disclosures

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

- **Gross Credit Exposure** - INR 313,874.36 Million
- Fund Based- INR 229,735.56 Million
- Non-Fund Based- INR 84,138.80 Million (including derivative exposure)

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

Currency INR Million

Particulars	**As at September 30, 2021**		
	Domestic	**Overseas**	**Total**
Fund Based	229,735.56	-	229,735.56
Of which exposure to QCCP	*640.81*	-	*640.81*
Non-Fund Based	84,138.80	-	84,138.80
Of which exposure to QCCP	*6,225.03*	-	*6,225.03*
Total	**313,874.36**	**-**	**313,874.36**

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

Currency INR Million

Industry	**Exposure**	
	Funded	**Non-Funded**
Food Processing- Others	-	-
Textiles – Others	8,224.80	1,608.55
Wood and Wood Products	-	-
Petroleum (non-infrastructure) Coal Products (non-mining) and Nuclear Fuels	-	-
Chemical & Chemical Products	**23,917.63**	**14,623.39**
Fertilizers	-	*3,710.12*
Drugs & Pharmaceuticals	*8,399.73*	*497.54*
Petro Chemicals (excluding under infra.)	*11,870.88*	*3,795.92*
Others	*3,647.02*	*6,619.81*
Rubber, Plastic, and their Products	1,738.66	22.90
Glass and Glassware	1,000.00	-
Cement and Cement Products	-	333.57
Basic Metal and Metal Products	**15,297.94**	**425.96**
Basic Metal and Metal Products – Iron & Steel	14,982.94	425.96
Basic Metal and Metal Products – Others	315.00	-
All Engineering	**9,938.03**	**7,373.69**
All Engineering- Electronics	*2,876.47*	*494.79*
All Engineering- Others	*7,061.56*	*6,878.90*
Vehicle, Vehicle Parts, Transport Equipment	21,356.38	1,250.22
Construction	-	905.72

Infrastructure-Energy-Electricity Generation	5,070.00	3,049.73
Infrastructure-Energy-Oil/Gas/Liquefied Natural Gas (LNG) Storage Facility	900	463.33
Other Industries - Manufacturing	135.75	1.11
Other Industries - Service	49,787.67	13,392.53
Residuary Exposure	**92,368.70**	**40,688.10**
of which exposure to QCCP	640.81	6,225.02
of which claims on RBI and Sovereign	*50,672.61*	-
of which claims on banks (domestic and overseas)	*30,720.03*	34,463.08
Securitization Exposure	*8,291.42*	-
Others (fixed assets, accrued interest etc.)	*2,043.83*	-
TOTAL	**2,29,735.56**	**84,138.80**

Notes

1. The above funded exposure is on outstanding basis
2. The non-fund-based exposure includes derivatives exposure as per Current Exposure Method, credit equivalent of off-balance sheet exposure etc.

The industries with exposure more than 5% of gross credit exposure

Currency INR Million

Industry	Exposure	
	Funded	Non-funded
Vehicle, Vehicle Parts & Transport Equipment	21,356.38	1,250.22
Chemical & Chemical Products	23,917.63	14,623.49
Basic Metal and Metal Products	15,297.94	425.96

e. **Residual maturity breakdown of Assets**

Currency INR Million

Maturity Buckets	Investment *	Loans & Advances	Foreign Currency Assets
Next Day	-	1,449.11	833.16
2 to 7 Days	-	8,273.14	3,527.36
8 to 14 Days	16.16	13,165.35	3.44
15 to 30 days	245.50	23,839.24	23,565.87
31 days to 2 months	3,247.88	11,322.93	8,110.47
Over 2 months up to 3 months	258.35	21,462.97	1,927.94
Over 3 months up to 6 months	10,879.07	19,746.95	7,855.51
Over 6 months up to 12 months	6,855.70	6,368.07	-
Over 1 year to 3 years	14,243.60	18,171.92	-
Over 3 years to 5 years	7,972.54	11,288.07	-
Over 5 years	-	2,279.11	519.61
Total	**43,718.79**	**137,366.86**	**46,343.37**

*Gross i.e. excluding provision for depreciation on Investments, if any.

f. **Amount of NPA (Gross) as of September 30, 2021**

Asset class – Non-performing assets	Amount outstanding
Sub-standard	-
Doubtful-1	-
Doubtful-1	-
Doubtful-1	-
Loss	-

g. **Net NPA –** Nil

h. **NPA Ratios**

Gross NPA to gross advances: Nil
Net NPA to net advances: Nil

i. **Movement of NPAs (Gross)**

Particulars	Amount
Opening balance as on April 01, 2021	-
Additions during the year	-
Reductions	-
Closing balance as on September 30, 2021	-

j. **Movement of provisions**

Currency INR Million

Particulars	Provisions for				
	NPA	Standard Assets	Country Risk	UFCE	ASCL**
Opening balance as on April 01, 2021	-	576.70	96.03	251.59	-
Additions during the year	-	38.84	-	110.10	0.07
Write-off	-	-	-	-	-
Write-back of excess provisions	-	-	-	-	-
Any other adjustments*	-	-	-	-	-
Closing balance as on September 30, 2021	-	615.54	96.03	361.69	0.07

*including transfers between provisions

** for exposure to specified borrowers beyond normally permissible lending limit

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

Currency INR Million

Particulars	Amount
Opening balance as on April 01, 2021	260.10
Additions during the year	231.85
Write-off	-
Write-back of excess provisions	-
Any other adjustments	-
Closing balance as on September 30, 2021	491.95

n. Non-Performing Assets by major industry or counterparty type - Nil

o. Amount of NPAs and past due loans provided separately broken down by significant geographic areas including the amounts of specific and general provisions related to each geographical area

The bank does not have any non-performing assets or any past due loans as on September 30, 2021.

Table DF-4 - Credit Risk: Disclosures for Portfolios Subject to the Standardised Approach:

Qualitative Disclosures:

In line with RBI directive for 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 as on September 30, 2021 under each credit risk category.

Currency INR Million

Risk Bucket	Fund-based	Non-fund based	Total
Below 100% Risk Weight	112,611.42	36,556.89	1,49,168.31
100% risk weight	52,184.53	27,997.85	80,182.38
More than 100% risk weight	64,939.61	19,584.06	84,523.67
Deducted	-	-	-
Total	**2,29,735.56**	**84,138.80**	**3,13,874.36**

Table DF-5 - Credit Risk Mitigation - Disclosures for Standardised Approaches

Qualitative Disclosures:

The bank has in place a well-structured credit risk mitigation structure which elaborates on the risk appetite and risk mitigation of the Bank. It is the endeavour of the bank to request for collateral for corporate credits unless the business case warrants unsecured lending. Collateral stipulated is usually mortgages, charge over business stock and debtors and/or financial instruments. The bank has adopted norms of valuation of collateral as stipulated in the prudential guidelines of RBI. Credit facilities which are backed by corporate guarantee of the parent, consider shareholding of the parent in the borrower and the credit worthiness of the guarantor.

Quantitative Disclosures:

The collateral wise position of exposure separately for each portfolio is as below.

Currency INR Million

Portfolio	Tangible Collateral backed	Unsecured	Total
Funded exposure	59,549.76	170,185.80	229,735.56
Off-balance sheet exposure	119.58	42,654.65	42,774.23
Derivative exposure	-	41,364.57	41,364.57
Gross Credit Exposure	**59,669.34**	**254,205.02**	**313,874.36**

Table DF-6 - Securitisation - Disclosure for Standardised Approach

Qualitative disclosures:

The bank purchases Pass Through Certificate (PTC) to meet Priority Sector Lending targets, in line with the regulatory requirements. The risks pertaining to credit, legal, counterparty etc. has been analysed before purchasing PTC.

As an investor, the Bank chooses the originator based on internal due diligence and with specification on parameters (such as tenor, loan to value, seasoning etc.) of the underlying loans in the pool. The regulatory requirement of minimum seasoning (Minimum Holding Period), minimum retention requirement (MRR) is being adhered to. The SPV is rated both on local and international scale by external rating agencies. An SPV/Trust (which is bankruptcy remote) has been created by the seller/originator and an independent party has been appointed as trustee. The said pool is then assigned by the originator to the SPV/Trust. SPV/Trust issues an Information Memorandum (IM) outlining all the aspects of the transaction to the investor (SMBC) for private placement. Basis the information memorandum, a consideration is paid by the investor to the SPV for which SPV, basis the issue price per PTC, issues the PTCs (tradable instrument) to the investors (SMBC and originator). The PTCs are thereafter transferred from Demat account of the SPV Trust to the Demat account of the investors. The future receivables which are collected by the servicing agent, at defined frequency, are deposited in collection and payment account (CPA) of the SPV for onward remittance to various stakeholders in line with the MRR requirements and waterfall mechanism as detailed in the transaction documents.

The PTCs are classified under Investments in the Financial Statement and the valuation of PTC's is carried out on quarterly basis as per the RBI/FIMMDA valuation guidelines. The depreciation upon valuation, if any, is provided for in the books of accounts on quarterly basis. From the monitoring perspective, the pool performance is analysed on monthly basis on parameters like collections, collection efficiency, pay-out details, prepayment and foreclosures etc. The portfolio is also subjected to credit stress test to assess the impact on capital adequacy.

Quantitative disclosures: Trading book

Currency INR Million

Particulars	**Amount**
Aggregate amount of exposures securitized by the bank for which the bank has retained some exposures, and which is subject to the market risk approach, by exposure type	-
Aggregate amount of: • on-balance sheet securitization exposures retained or purchased broken down by exposure type *(ABS);* and • off-balance sheet securitisation exposures broken down by exposure type	8,291.42 -
Aggregate amount of securitization exposures retained or purchased separately for: • securitization exposures retained or purchased subject to Comprehensive Risk Measure for specific risk; and • securitisation exposures subject to the securitisation framework for specific risk broken down into different risk weight bands. *(entire portfolio is subject to risk weight of 20%)*	8,291.42 8,291.42
Aggregate amount of: • the capital requirements for the securitization exposures, subject to the securitization framework broken down into different risk weight bands. • securitization exposures that are deducted entirely from Tier 1 capital, credit enhancing I/Os deducted from total capital, and other exposures deducted from total capital (by exposure type).	186.81 -

Table DF-7 - Market Risks in the Trading Book

Qualitative disclosures

Market Risk

It is the risk of losses arising from changes in market rates or prices that can affect the value of financial instruments. In the Bank, majority of Market Risk is arising from operations related to treasury. Market Risk is tracked and measured on a dynamic basis by a dedicated Market Risk department, which alerts management in to taking appropriate action.

Market Risk Organization Structure at the Bank

Bank's Risk Management is controlled by Risk Management Committee and Asset Liability Management (ALM) Committee. The Risk Management Committee/ALM determines risk tolerance and appetite for market risk. It also monitors and reviews significant risks and effectiveness of processes and sets out management responsibilities. Risk Management Committee/ALM formulates and implements the market risk policies and operational plans and recommends changes to policies, processes, and parameters for approval.

Market Risk Limit Structure at the Bank

Market Risk limits represents strategic restrictions, reflecting the risk tolerance of the Bank, the nature of the trading activities and the perceived trading and management skills. The limit setting is to prevent the accumulation of Market Risk beyond the Bank's risk tolerance level, as determined by the Bank's top management, and to reflect mandates of individual trading units.

The Bank calculates the risk charge on market risk based on standardized approach as prescribed by RBI. The portfolio contains foreign exchange and interest rate risk only. The interest rate general risk is computed based on duration-based approach.

Market Risk Management

The Bank's Market Risk Framework comprises market risk policies, market risk limit and risk methodologies. The market risk policies are reviewed at least once a year to align with regulatory guidelines and international best practices.

Quantitative disclosures

The capital requirements for market risk are as follows:

Currency INR Million

Components of Market Risk	**September 2021**
Interest Rate Risk	1,025.57
Equity position risk	--
Foreign Exchange risk	179.96
Total	**1,205.53**

Table DF-8 - Operational Risk

Qualitative disclosures: The approaches for operational risk capital assessment

The Bank's Operational Risk Management framework includes the identification, assessment, measurement, and monitoring & oversight of operational risks within the Bank. Operations of SMBC India Branches Branch currently follow Head Office policies for Operational Risk Management.

The Bank has a commitment to meeting high ethical and Operational Risk Management standards in the way it conducts its business. The governing principles and fundamental components of the Bank's operational risk management approach include accountability in the individual business lines for management and control of the significant operational risks to which they are exposed.

SMBC India Branches using an effective organization structure ensures the following to manage the operational risk by:

a. Separation of duties between key functions.
b. Periodic operational risk self-assessment tools such as KRIs, RCSA and RCA.
c. Comprehensive assessment of all new products and processes.
d. Risk mitigation programs, which use insurance policies to transfer the risk of high severity losses e.g. cash, where feasible and appropriate
e. Business Continuity Plan Business Disruption of key business services for an extended period can affect the Bank's image/downfall unless appropriate emergency response and business resumption strategies are maintained.

   As permitted by RBI, the Bank presently follows the Basic Indicator Approach for assessing the capital requirement related to capital charge for Operational Risk.

Table DF-9 - Interest Rate Risk in the Banking Book (IRRBB)

Qualitative Disclosures

Interest Rate Risk in the Banking Book

Interest Rate risk in Banking Book (IRRBB) refers to the risk of loss in earnings or economic value of the Bank's Banking Book because of movement in interest rates. Interest rate risk arises from holding assets/liabilities and Off-Balance Sheet [OBS] items with different principal amount, maturity dates or re-pricing dates thereby creating exposure to changes in levels of interest rates.

IRRBB Organization Structure

Asset Liability Management Committee (ALM Committee) ensures compliance with regulatory and internal policies related to IRRBB and provides strategic direction, for achieving IRRBB management objectives. The Assets and Liabilities Management Committee of SMBC India Branches has been established to provide the framework to strategically manage the bank's assets and liabilities while adhering to the risk management objectives established by the Management committee. The ALM is responsible for formulating the branch's asset and liability strategy including the pricing of advances and deposits, balance sheet planning, funding decisions, spread management and for managing Market and Liquidity risk.

The ALM meeting is convened monthly to review risks, market condition and its impact on balance sheet.

Quantitative Disclosures

Interest rate risk in banking book is primarily the change in the net interest income and the value of the bank's assets and liabilities, due to changes in interest rate. This is assessed from the following perspectives:

i. Earnings perspective (Earnings-at-risk) approach

From an Earnings perspective, the Interest rate sensitivity gap reports indicate whether the Bank can benefit/lose from rise/fall in interest rates due to repricing of assets and liabilities under various interest rate movement scenarios; the impact which may be observed on the Net Interest Income of the bank.

As of September 30, 2021, the impact of an incremental 100 basis points parallel fall or rise in the yield curve at the beginning of the year on Net Interest Income for the next 12 months amounts to Rs. (+/-) INR 151.78 million. However, this is well within the EaR limit set for the bank.

ii. Economic Value perspective (i.e. Market Value of Equity-MVE approach)

From an Economic Value perspective, the Duration Gap report indicates the impact of movement in interest rate on the value of banks assets and liabilities and thus impacting the value of equity of the Bank.

As of September 30, 2021, the fall in the value of equity for 200 bps interest rate shock (parallel increase) is 1.563% of our capital fund. This is lower than the internal threshold limit of 3% set for the bank and much lower than the threshold of 20% prescribed by RBI.

Table DF-10 - General Disclosure for Exposures Related to Counterparty Credit Risk

Qualitative Disclosure

a. The capital allocation for counterparty credit risk is based on regulatory guidelines. The bank follows Standardized Approach for assigning capital to its counterparty credit exposure
b. The counterparty credit exposure limits are assigned based on the credit worthiness of counterparty vis-à-vis risk appetite of the bank after taking into consideration qualitative and quantitative factors of the party. The parameters considered, among other factors include the financial strength, net worth, industry

of operation, liquidity position etc.

c. Regarding wrong way risk exposure, be it specific or general, the bank has the policy to monitor and take proactive corrective measures to address issues related to such exposure and simultaneously make internal provisions (normally higher than the regulatory requirement) in order to face worse situation.

Quantitative Disclosure

Currency INR Million

Items	Notional Principal Amount	Credit Equivalent
FCY-FCY Cross Currency Swaps	11,054.08	1,414.75
FCY-INR Currency Swaps	202,154.00	24,673.45
Interest Rate Swaps	18,062.72	473.17
Foreign Exchange Contracts	247,388.42	14,787.73
Options	679.36	15.46
Total	**479,338.58**	**41,364.56**

Table DF-11 - Composition of Capital

Currency INR Million

Particulars		Eligible Amount	Ref No.
Common Equity Tier 1 capital: instruments and Reserves			
1	Directly issued qualifying common share capital plus related stock surplus (share premium)	79,475.33	a
2	Retained Earnings	8,191.02	b
3	Accumulated other comprehensive income (and other reserves)	-	
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**	**87,284.95**	
Common Equity Tier 1 capital: regulatory adjustments			
7	Prudential valuation adjustments	-	
8	Goodwill (net of related tax liability)	-	
9	Intangibles (net of related tax liability)	-	
10	Deferred tax assets	-	
11	Cash-flow hedge reserve	-	
12	Shortfall of provisions to expected losses	-	
13	Securitization gain on sale	-	
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 netted off paid-up capital on reported balance sheet)	-	
17	Reciprocal crossholdings in common equity	-	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, 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, net of eligible short positions (amount above 10% threshold)	-	
20	Mortgage servicing rights (amount above 10% threshold)	-	
21	Deferred tax assets arising from temporary differencess (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 financial*	-	

	entities		
24	*of which: mortgage servicing rights*	-	
25	*of which: deferred tax assets arising from temporary differences*	-	
26	National specific regulatory adjustments (26a+26b+26c+26d)	-	
26a	*of which:* Investments in the equity capital of unconsolidated insurance subsidiaries	-	
26b	*of which:* Investments in the equity capital of unconsolidated non-financial subsidiaries	-	
26c	*of which:* Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank	-	
26d	*of which:* Unamortized pension funds expenditures	-	
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**	**-**	
29	**Common Equity Tier 1 capital (CET1)**	**87,284.95**	
Additional Tier 1 capital: instruments			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (share premium) (31+32)	-	
31	*of which: classified as equity under applicable accounting standards (Perpetual Non-Cumulative Preference Shares)*	-	
32	*of which: classified as liabilities under applicable accounting standards (Perpetual debt Instruments)*	-	
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 crossholdings in Additional Tier 1 instruments	-	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, 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 (net of eligible short positions)	-	
41	National specific regulatory adjustments (41a+41b)	-	
41a	*of which:* Investments in the Additional Tier 1 capital of	-	

	unconsolidated insurance subsidiaries		
41b	*of which:* Shortfall in the Additional Tier 1 capital of majority owned financial entities which have not been consolidated with the bank	-	
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)**	**87,284.95**	
Tier 2 capital: instruments & 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	2,129.27	c
51	**Tier 2 capital before regulatory adjustments**	**2,129.27**	
Tier 2 capital: regulatory adjustments			
52	Investments in own Tier 2 instruments	-	
53	Reciprocal crossholdings in Tier 2 instruments	-	
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-	
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
56	National specific regulatory adjustments (56a+56b)	-	
56a	*of which: Investments in the Tier 2 capital of unconsolidated insurance subsidiaries*	-	
56b	*of which: Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the bank*	-	
57	**Total regulatory adjustments to Tier 2 capital**	**-**	
58	**Tier 2 capital (T2)**	**2,129.27**	
59	**Total Capital (TC=T1+T2)**	**89,414.22**	
60	**Total risk weighted assets**	**295,614.42**	
60a	*of which: total credit risk weighted assets*	272,671.42	

60b	*of which: total market risk weighted assets*	10,701.55	
60c	*of which: total operational risk weighted assets*	12,241.45	
Capital ratios and Buffers			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	29.53%	
62	Tier 1 (as a percentage of risk weighted assets)	29.53%	
63	Total Capital (as a percentage of risk weighted assets)	30.25%	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation plus countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of risk weighted assets)	7.765%	
65	*of which: capital conservation buffer requirement*	1.875%	
66	*of which: bank specific countercyclical buffer requirement*	-	
67	*of which: G-SIB buffer requirement*	0.390%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	24.03%	
National minima (if different from Basel III)			
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	5.50%	
70	National Tier 1 minimum ratio (if different from Basel III minimum)	7.00%	
71	National total capital minimum ratio (if different from Basel III minimum)	9.00%	
Amounts below thresholds for deduction (before risk weighting)			
72	Non-significant investments in the capital 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 standardized approach (prior to application of cap)	2,129.27	
77	Cap on inclusion of provisions in Tier 2 under standardized approach	3,409.21	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	Not Applicable	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	Not Applicable	
Capital instruments subject to phase-out arrangements (only applicable between March 31, 2017 and March 31, 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)*	-	

Notes to the Template

Row no. of template	Particular	*Currency INR Million*
10	Deferred tax assets associated with accumulated losses	-
	Deferred tax assets (excluding those associated with accumulated losses) net of Deferred tax liability*	-
	Total as indicated in row 10	-
19	If investments in insurance subsidiaries are not deducted fully from capital and instead considered under 10% threshold for deduction, the resultant increase in the capital of bank	-
	of which: Increase in Common Equity Tier 1 capital	-
	of which: Increase in Additional Tier 1 capital	-
	of which: Increase in Tier 2 capital	-
26b	If investments in the equity capital of unconsolidated non-financial subsidiaries are not deducted and hence, risk weighted then:	-
	(i) Increase in Common Equity Tier 1 capital	-
	(ii) Increase in risk weighted assets	-
50	Eligible Provisions included in Tier 2 capital	1,073.26
	Eligible Revaluation Reserves included in Tier 2 capital@	1,056.01
	Total of row 50	**2,129.27**

*The deferred tax assets of INR 638.06 million relating to timing differences (other than those related to accumulated losses) has been risk weighted @ 250%.

@ The amount represents the Investment Fluctuation Reserve created by the bank in terms of RBI notification no. DBR.No.BP.BC.102/21.04.048/2017-18 dated April 02, 2018.

Table DF-12 - Composition of Capital- Reconciliation Requirements

Step- 1

Currency INR Million

		Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation
		As on Sept. 30, 2021	As on Sept. 30, 2021
A	Capital & Liabilities		
I	Paid-up Capital	79,475.33	79,475.33
	Reserves & Surplus	14,531.91	14,531.91
	Minority Interest	-	-
	Total Capital	**94,007.24**	**94,007.24**
II	Deposits	**164,424.02**	**164,424.02**
	of which: Deposits from banks	258.15	258.15
	of which: Customer deposits	164,165.87	164,165.87
	of which: Other deposits (pl. specify)	-	-
III	Borrowings	**4,692.80**	**4,692.80**
	of which: From RBI	-	-
	of which: From banks	-	-
	of which: From other institutions & agencies	-	-
	of which: Others- Outside India	4,692.80	4,692.80
	of which: Capital instruments	-	-
IV	Other liabilities & provisions	9,993.19	9,993.19
	Total Liabilities	**179,110.01**	**179,110.01**
B	Assets		
I	Cash and balances with RBI	50,161.40	50,161.40
	Balance with banks and money at call and short notice	30,711.81	30,711.81
II	Investments:	**43,226.84**	**43,226.84**
	of which: Government securities	34,952.83	34,952.83
	of which: Other approved securities	-	-
	of which: Shares	-	-
	of which: Debentures & Bonds	-	-
	of which: Subsidiaries / Joint Ventures / Associates	-	-
	of which: Others (Commercial Papers, Mutual Funds, PTCs etc.)	8,274.01	8,274.01
III	Loans and advances	**137,366.86**	**137,366.86**
	of which: Loans and advances to banks	-	-

	Of which: Loans and advances to customers	137,366.86	137,366.86
IV	Fixed assets	211.59	211.59
V	Other assets	**11,438.75**	**11,438.75**
	of which: Goodwill and intangible assets		
	of which: Deferred tax assets	638.06	638.06
VI	Goodwill on consolidation	-	-
VII	Debit balance in Profit & Loss account	-	-
	Total Assets	**2,73,117.25**	**2,73,117.25**

Step-2

Currency INR Million

		Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation	Ref no.
		As on Sept. 30, 2021	As on Sept. 30, 2021	
A	Capital & Liabilities			
I	Paid-up Capital	**79,475.33**	**79,475.33**	
	Of which amount eligible for CET-I	**79,475.33**	**79,475.33**	a
	Of which amount eligible for AT-I	-	-	
	Reserves & Surplus	**14,531.91**	**14,531.91**	b
	Of which Statutory Reserve	3,275.39	3,275.39	
	Of which Investment Fluctuation Reserve	1,056.01	1,056.01	
	Of which balance in profit & Loss A/c	10,200.51	10,200.51	
	Minority Interest	-	-	
	Total Capital	**94,007.24**	**94,007.24**	
II	Deposits	**164,424.02**	**164,424.02**	
	of which: Deposits from banks	258.15	258.15	
	of which: Customer deposits	164,165.87	164,165.87	
	of which: Other deposits	-	-	
III	Borrowings	**4,692.80**	**4,692.80**	
	of which: From RBI	-	-	
	of which: From banks	-	-	
	of which: From other institutions & agencies	-	-	
	of which: Others (from head office for export credit)	4,692.80	4,692.80	
	of which: Capital instruments	-	-	
IV	Other liabilities & provisions	9,993.19	9,993.19	c
	of which: DTLs related to goodwill	-	-	

	of which: DTLs related to intangible assets	-	-	
	Total Liabilities	**179,110.01**	**179,110.01**	
B	**Assets**			
I	Cash and balances with Reserve Bank of India	50,161.40	50,161.40	
	Balance with banks and money at call and short notice	30,711.81	30,711.81	
II	Investments	**43,226.84**	**43,226.84**	
	of which: Government securities	34,952.83	34,952.83	
	of which: Other approved securities	-	-	
	of which: Shares	-	-	
	of which: Debentures & Bonds	-	-	
	of which: Subsidiaries / Joint Ventures / Associates	-	-	
	of which: Others (SIDBI, NABARD, NHB)	8,274.01	8,274.01	
III	Loans and advances	**137,366.86**	**137,366.86**	
	of which: Loans and advances to banks	-	-	
	of which: Loans and advances to customers	137,366.86	137,366.86	
IV	Fixed assets	211.59	211.59	
V	Other assets	**11,438.75**	**11,438.75**	
	Out of which:			
	Goodwill	-	-	
	Other intangibles (excluding MSRs)	-	-	
	Deferred tax assets	638.06	638.06	
VI	Goodwill on consolidation	-	-	
VII	Debit balance in Profit & Loss A/c	-	-	
	Total Assets	**273,117.25**	**273,117.25**	

STEP-3

Extract of Basel III common disclosure template (with added column) – Table DF-11 (Part II)

Tier-1 & Tier-2 Capital: Instruments and Provisions

Currency INR Million

	Particulars	Component of regulatory capital/ amount reported by bank	Source based on reference numbers/ letters of the balance sheet under regulatory scope of consolidation from step 2
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	79,475.33	a
2	Retained earnings *	14,531.91	b
3	Provisions (eligible for Tier-2 capital)	2,129.27	c

* The break-up of reserves and surplus as reported in Schedule-2 "Reserves & Surplus", of the financial statements, together with their consideration in regulatory capital is as below

Currency INR Million

Particulars	**Amount**	**Remarks**
Statutory Reserve	3,275.39	Considered as part of CET-1 as shown in line item 2 of table DF-11
Remittable Surplus retained in India for CRAR	4,915.64	
Investment Fluctuation Reserve	1,056.01	Considered as part of Tier-2 capital and as shown in item 3 "Provisions" in above table
Balance in Profit & Loss Account (including profit for current year)	5,284.87	This amount represents audited profits of two Financial Years ended March 31, 2021 and half year of current Financial Year ended September 2021, not considered in computation of regulatory capital, due to non-submission of declaration to Reserve Bank of India/being unaudited.
Total	**14,531.91**	

Table DF-13 - Main features of Regulatory Capital Instruments

The Bank has not issued any Regulatory Capital Instruments forming part of Capital Funds. The Capital Funds of the bank mainly consist of Interest Free Funds received from Head Office, Reserves & Surplus and General Provisions on Standard Assets.

Table DF-14 - Full Terms & Conditions of Regulatory Capital Instruments

The Bank has not issued any Regulatory Capital Instruments forming part of Capital Funds. The Capital Funds of the bank mainly consist of Interest Free Funds received from Head Office, Reserves & Surplus and General Provisions on Standard Assets.

Table DF-15 - Disclosure Requirements for Remuneration

In accordance with the requirements of the RBI Circular RBI/2019-20/89; DOR.Appt.BC.No.23/29.67.001/2019-20 dated 4th November 2019; the bank has obtained a letter from its head office which states that the compensation policies in India including that for the CEO are in line with the FSB requirements.

Table DF-16 - Equities – Disclosure for Banking Book Positions

The qualitative and quantitative disclosures: - Nil as, on the reference date, the bank does not have any equity investments.