Basel II – Pillar 3 disclosures for the year ended 31st March 2013

Table DF-1
Scope of Application

A. Qualitative Disclosures:

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.

B. Quantitative Disclosures:

(a) The aggregate amount of capital deficiencies in subsidiaries:
Not Applicable.

(b) The aggregate amount of the bank's total interests in insurance entities:
Not Applicable

Table DF-2
Capital Structure:

A. Quantitative Disclosures:

(a) Summary information and main features of capital instruments are given below.

Tier I capital comprises of funds from Head Office for the purpose of meeting capital adequacy norms, statutory reserves, Capital Reserves and retained earnings.

Tier II capital is NIL as on March 31 2013 but would comprises of general loan loss provisions, country risk provision and revaluation reserve in the future years.

(b) The details of tier I capital with separate disclosures of each component is as follows:
The Composition of the Capital structure:

(Rs. in Crores)

Particulars	Mar-13
Funds from Head Office	1,083.38
Statutory reserve	0.00
Capital Reserve	0.00
Current Year Loss	16.31
Total- Tier 1	**1,067.07**
Provision for Standard assets	0.00
Property Revaluation Reserve	0.00
Country risk provision	0.00
General Provision and Loss Reserve	0.00
Total – Tier II	**0.00**
Total eligible capital	**1,067.07**

Table DF-3
Capital Adequacy:

A. **Qualitative disclosures**

Bank's approach to assessing the adequacy:

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 II 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.

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

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 analyzed through borrower's historical financial statements and projections.
- As a matter of policy, all credit facilities are reviewed / renewed annually. An account would be classified as NPA based on RBI guidelines.

B. Quantitative disclosures:

Capital requirement for credit, market and operational risk and Tier I capital ratio as on March 31, 2013 is detailed as below:-

(Rs. in Crores)

	PARTICULARS	31,Mar-13 AMOUNT
A	Capital requirement for credit risk	
	- Portfolios subject to standardised approach	15.35
	- Securitisation exposures	-
B	Capital requirement for market risk	
	Standardised duration approach	
	-Interest rate risk	0.00
	-Foreign exchange risk	0.00
	-Equity risk	0.00
C	Capital requirement for operational risk	
	-Basic indicator approach	0.00
D	Capital Adequacy ratio of the Bank (%)	625.69%
E	Tier I CRAR (%)	625.69%

Table DF-4
<u>Credit risk: General disclosures for all banks</u>

Qualitative Disclosures

(a) Credit quality of Loans and Advances

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

Non-performing assets are those loans for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms. During the financial year 2012-13 bank has not disbursed any loans and thus no non-performing assets to report.

The Bank has adopted the Standardised Approach under Basel II for credit risk.

(b) Total Gross credit risk exposures including Geographic Distribution of Exposure

(Rs. in Crores)

Particulars	Mar-13 Domestic	Mar-13 Overseas	Mar-13 Total
Fund Based	170.5400	NIL	170.5400
Non Fund Based	0.0022	NIL	0.0022
Total	**170.5422**	**NIL**	**170.5422**

(c) Residual Contractual maturity break down of Assets

(Rs. in Crores)

MATURITY BUCKETS	Cash balances with RBI and other Banks	Investment Securities	Loans and Advances	Other Assets including fixed assets*
Next Day	26.02	0.00	0.00	6.28
2 TO 7 Days	270.00	0.00	0.00	0.00
8 TO 14 Days	0.00	99.85	0.00	0.00
15 to 28 days	110.00	0.00	0.00	0.00
29 days to 3 months	348.06	198.62	0.00	0.00
Over 3 months upto 6 months	0.00	0.00	0.00	0.00
over 6 months upto 12 months	0.00	0.00	0.00	0.00
Over 1 year to 3 years	0.00	0.00	0.00	0.00
Over 3 years to 5 years	0.00	0.00	0.00	0.00
Over 5 years	0.46	0.00	0.00	17.50
Total	**754.54**	**298.47**	**0.00**	**23.78**

Does not include loss for the current period.

(d) Bank had not disbursed any loans during the period ended March 31 2013 and consequently no NPA's to report and hence all the other related tables are not applicable for the current period ended March 31, 2013

Table DF-5
Credit Risk: Disclosures for portfolios subject to the standardised approach:

A. Qualitative Disclosures:
Bank had not disbursed any loans during the current period. Hence no disclosure is made in this regard.

B. **Quantitative Disclosures:**
The exposure under each credit risk category is as follows:

(Rs. in Crores)

Particulars	Mar-13
Risk Bucket	**Amount**
Below 100% Risk Weight	170.54
100% risk weight	0.00
More than 100% risk weight	0.00
Total	**170.54**

Table DF-6
Credit Risk Mitigation: Disclosures for standardised approaches

A. **Qualitative Disclosures:**
It is the policy of the bank to request for collaterals for corporate credits, unless the business case warrants unsecured lending. Collaterals stipulated are usually mortgages, charge over business stock and debtors, financial instruments. Cash Security is however recognized only as a fallback option and repayment of facilities are primarily sought from the cash flow of the borrower's business. However, collateral is an important to mitigate risk. The bank has adopted norms of valuation of collateral as stipulated in the prudential guidelines of RBI.

B. **Quantitative Disclosures**
Not Applicable. Since Bank has not given any Advance during the current period ending March 31, 2013.

Table DF-7
Securitisation: disclosure for standardised approach

A. **Qualitative and Quantities disclosures:**
Not applicable as Bank has not entered into any securitisation activity

Table DF-8
Market risks in the trading book

A. **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 Treasury front Office. 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 in New Delhi. The Risk Management Committee 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 Forums supports Risk Committee, which 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 on the basis of standardized approach as prescribed by RBI. The portfolio contains foreign exchange and interest rate risk only. The interest rate general risk is computed on the basis of duration based approach.

Market Risk Management

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

B. **Quantitative disclosures**

The capital requirements for market risk are as follows:

(Rs. in Crores)

Type of Risk	Mar-13
Interest Rate Risk	0.00
Equity position risk	0.00
Foreign Exchange risk	0.00
Total	**0.00**

Table DF-9

Operational Risk:

A. **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 New Delhi 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.

An effective organization structure through which operational risk is managed including:

- Separation of duties between key functions.
- Risk mitigation programs, which use insurance policies to transfer the risk of high severity losses e.g. cash, where feasible and appropriate
- Business Continuity Plan Business Disruption of key business services for an extended period of time 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 for computing capital charge for Operational Risk.

Table DF-10

Interest rate risk in the banking book (IRRBB)

A. 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 as a consequence 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 New Delhi Branch 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 also for managing Market and Liquidity risk.

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

B. Quantitative Disclosures

The impact of an incremental 200 basis points parallel fall or rise in all yield curves at the beginning of the year on net interest income for the next 12 months amounts to Rs. (+/-)2.05 crores. Considering Banks present Tier I capital the amount is well within tolerance limits.

For and on behalf of
Sumitomo Mitsui Banking Corporation
New Delhi Branch

Bharat Kaushal
Co-General Manager
Chief Executive Officer in India
Place: New Delhi
Date :