SMBC

DISCLOSURES UNDER PILLAR – 3 OF BASEL – III, FOR THE QUARTER ENDED June 30, 2025

Table DF-2 - Capital Adequacy:

Qualitative disclosures

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-1 and Total Capital ratios as on June 30, 2025 are detailed as below: -

Currency INR Million

	Particulars	Amount
A	Capital requirements for credit risk	**62,319.27**
	- Portfolios subject to standardised approach	62,042.61
	- Securitisation exposures	276.66
B	Capital requirements for market risk	**1,957.60**
	Standardised duration approach	
	-Interest rate risk	1,332.26
	-Foreign exchange risk (including gold)	625.34
	-Equity risk	0.00
C	Capital requirements for operational risk	
	-Basic indicator approach	**3,127.46**
D	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 22.47% Tier-II Capital Ratio 0.96% Total Capital Ratio- 23.43% The bank is operating with three branches in India.

1. Capital requirement is calculated at 11.890% consisting of 9.00% minimum requirement, 2.50% for Capital Conservation Buffer and 0.390% as buffer for Domestic/Global Systemically Important Banks (D/G-SIBs).

2. 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.
3. 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.
4. In terms of RBI guidelines for implementation of Countercyclical Capital Buffer issued on February 05, 2015, as amended from time to time, the bank does not hold the buffer as the framework is yet to be activated by the Regulator.
5. Capital charge towards credit risk exposure on derivatives is post consideration of the benefits from legally enforceable netting agreements.

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 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) scenario analysis and qualitative reverse stress testing. 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 platform of CIMS 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.

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. ALM also sets deposit and benchmark lending rates. The Market Risk Management Team, in consultation with Front Office recommends changes in risk policies, controls, processes and methodologies for quantifying and assessing market risks. Risk limits including position limits and stop loss limits are monitored by the Front Office 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, Liquidity Coverage Ratio (LCR), Net stable funding ratio (NSFR) 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 Risk Management Department-Asia Pacific Division (RMDAP) 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 from credit risk, market risk, enterprise risk, compliance, planning, finance, human resources, operations, information technology, information security 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 Standardised 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 an NPA.

<u>**Quantitative Disclosures**</u>

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

- **Gross Credit Exposure** - INR 712,442.16 million
- **Fund Based**- INR 466,050.99 million
- **Non-Fund Based-** INR 246,391.17 million (including derivative exposure)

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

Currency INR Million

Particulars	**As at June 30, 2025**		
	Domestic	**Overseas**	**Total**
Fund Based	466,050.99	-	466,050.99
Of which exposure to QCCP	*34,057.99*	-	*34,057.99*
Non-Fund Based	246,391.17	-	246,391.17
Of which exposure to QCCP	*29,993.76*	-	*29,993.76*
Total	**712,442.16**	**-**	**712,442.16**

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

Currency INR Million

Industry	**Funded Exposure**	**Non-Funded Exposure**
I. Manufacturing Sector	466,050.99	466,050.99
Food Processing- Others	*34,057.99*	*34,057.99*
Textiles – Others	246,391.17	246,391.17
Wood and Wood Products	*29,993.76*	*29,993.76*
Paper and Paper products	**712,442.16**	**712,442.16**
Petroleum (non-infrastructure) Coal Products (non-mining) and Nuclear Fuels	466,050.99	466,050.99
Rubber, Plastic and their Products	*34,057.99*	*34,057.99*
Glass & Glassware	-	-
Chemical & Chemical Products	12,711.67	12,023.04
Fertilizers	6,305.00	5,371.63
Drugs & Pharmaceuticals	1,750.00	165.01
Petro Chemicals (excluding under infra.)	250.00	4,295.91
Others	4,406.67	2,190.49
Cement and Cement Products	-	1,939.94
Basic Metal and Metal Products	**7,370.40**	**5,796.95**

Basic Metal and Metal Products – Iron & Steel	5,499.99	5,782.96
Basic Metal and Metal Products – Others	1,870.41	13.99
All Engineering	**8,807.61**	**27,243.71**
All Engineering- Electronics	4,364.36	1,696.59
All Engineering- Others	4,443.25	25,547.12
Vehicle, Vehicle Parts & Transport Equipments	27,609.17	4,629.33
Construction	-	10,110.01
Infrastructure – Transport	794.67	1,938.40
Infrastructure – Energy – Electricity Generation	27,774.34	22,828.26
Infrastructure – Oil/Gas/Liquefied Natural Gas (LNG) Storage Facility	-	4,288.10
Other Industries – Manufacturing	1,046.96	834.09
II. Services Sector	**118,324.75**	**121,941.76**
Transport Operators	2,726.09	1,231.71
Post and Telecommunication Services	-	196.44
Tourism, Hotel and Restaurants	-	15.00
Trade (Wholesale and Retail)	3,326.00	1,062.84
Financial Intermediation (Banks, NBFCs, HFCs, DFIs, Mutual Funds etc.)	78,263.47	40,000.24
Real Estate Activities (Other than Residential Mortgages)	-	-
Computer and Related Activities	24,279.41	2,779.17
Professional Services	381.50	1.32
Other Services	9,348.28	76,655.04
III. Agriculture Sector	**7,416.31**	**-**
Of which Direct	700.00	-
Of which Indirect	6,716.31	-
Exposure to QCCP	**34,057.99**	**29,993.76**
Residuary Exposure		

	213,829.55	**-**
of which claims on RBI and Sovereign	*106,039.57*	-
of which claims on banks (domestic and overseas)	*40,313.38*	-
Securitization Exposure	*15,197.60*	-
Certificate of Deposits	*46,178.92*	-
Others (fixed assets, accrued interest etc.)	*6,100.08*	-
TOTAL	**466,050.99**	**246,391.17**

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
3. Exposure under “Other Industries – Services” includes exposure to Corporate Borrowers, FX/derivative exposure to Banks
4. Non-fund-based exposure to QCCP includes exposure on account securities that are posted as collateral under various business segments
5. Residual exposure on Reserve Bank of India/Sovereign includes exposure on account of R-REPO, Interest Subvention, G-Sec and T-Bills etc.
6. Residual exposure under “claims on banks” includes the current account balances in local and Nostro accounts, money market placements in or outside India etc.

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

Currency INR Million

Industry	**Funded Exposure**	**Non-Funded Exposure**
All Engineering	8,807.61	27,243.71
Infrastructure – Energy – Electricity Generation	28,569.01	29,054.76
Financial Intermediation (NBFCs, HFCs, DFIs, Mutual Funds etc.)	78,263.47	40,000.24

e. Residual maturity breakdown of Assets

Currency INR Million

Maturity Buckets	**Investment ***	**Loans & Advances**	**Foreign Currency Assets**
Next Day	-	1,871.67	1,857.72
2 to 7 Days	-	26,049.40	2.89
8 to 14 Days	-	20,028.39	-
15 to 30 days	13,601.40	24,257.19	17,172.03
31 days to 2 months	17,997.41	10,949.32	13,134.85
Over 2 months up to 3 months	22,835.04	6,062.06	134.81

Over 3 months up to 6 months	22,824.84	7,280.93	6,521.65
Over 6 months up to 12 months	13,329.98	18,498.99	-
Over 1 year to 3 years	21,617.05	56,732.26	-
Over 3 years to 5 years	11,764.11	30,804.55	-
Over 5 years	497.00	15,628.69	1,286.40
Total	**124,466.83**	**218,163.45**	**40,110.35**

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

f. Amount of NPA (Gross) as of June 30, 2025

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) – Nil

j. Movement of provisions

Currency INR Million

Particulars	**Provisions for**				
	NPA	Standard Assets	Country Risk	UFCE	ASCL
Opening balance as on April 01, 2025	-	1,211.64	205.54	299.19	-
Additions during the year	-	-	-	49.85	3.27
Write-off	-	-	-	-	-
Write-back of excess provisions	-	87.77	-	-	-
Any other adjustments*	-	-	-	-	-
Closing balance as on June 30, 2025	-	1,123.87	205.54	349.04	3.27

*including transfers between provisions

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, 2024	751.51
Additions during the year	-
Write-off	(751.51)
Write-back of excess provisions	-
Any other adjustments	-
Closing balance as on June 30, 2024	-

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 June 30, 2024.

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 standardised approach.

Domestic ECRA	**International ECRA**
Acuite Ratings & Research Limited (Acuite)	Moody's
Credit Analysis and Research Limited (CARE)	Standard & Poor's
CRISIL Limited	Fitch
ICRA Limited	
India Ratings and Research Private Limited (India Ratings) (formerly FITCH India)	
INFOMERICS Valuation and Rating Pvt Ltd. (INFOMERICS)	

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 June 30, 2025 under each credit risk category.

Currency INR Million

Risk Bucket	Amount
Below 100% Risk Weight	462,993.62
100% risk weight	13,557.68
More than 100% risk weight	235,890.86
Deducted	-
Total	**712,442.16**