Suryoday Small Finance Bank Limited [CIN – L65923MH2008PLC261472]
1001, Sharda Terrace, Plot No.65, Sector 11, CBD Belapur,
Navi Mumbai – 400614
Tel: 022-4043 5800 Email: info@suryodaybank.com

Suryoday Small Finance Bank

Pillar III Disclosure

Background: The purpose of Market discipline (detailed in Pillar 3) in the RBI guidelines is to complement the minimum capital requirements (detailed under Pillar 1) and the supervisory review process (detailed under Pillar 2). The aim is to encourage market discipline by developing a set of disclosure requirements which will allow market participants to assess key pieces of information on the scope of application, capital, risk exposures, risk assessment processes, and hence the capital adequacy of the institution.

DF-1: Scope of Application

(i) Qualitative Disclosure:

The framework of disclosures applies to Suryoday Small Finance Bank Limited (hereinafter referred to as the Bank) which launched banking operations on January 23, 2017. Disclosures are made as a standalone entity since the Bank does not have any subsidiary nor does it have any interest in any insurance entity.

(ii) Quantitative Disclosure:

The Bank is a standalone entity and does not have subsidiaries.

a) List of group entities considered for consolidation.

Name of the entity / country of incorporation	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)
Nil	Nil	Nil	Nil

b) The aggregate amount of capital deficiencies in all 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 Deficiency
Nil	Nil	Nil	Nil	Nil

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

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/Proportion of voting power	Quantitative impact on regulatory capital of using risk weighting method versus using the full deduction method
Nil	Nil	Nil	Nil	Nil

DF-2: Capital Adequacy

a) Capital Structure

As per Reserve Bank of India (RBI) capital adequacy norms, capital funds are classified into Tier-1 and Tier-2 capital. Tier-1 capital of the Bank consists of paid-up share capital, share premium, statutory reserves, revenue & other disclosed free reserves. Tier-2 capital consists of revaluation reserves (at a discount of 55%), investment reserve, general provisions & loss reserves.

b) Equity Capital:

Shareholders of the Bank at their 15th Annual General Meeting (AGM) of the Bank held on September 14, 2023, had accorded their approval for increasing authorized share capital of the Bank from existing Rs 1,250 million, comprising of 12,50,00,000 equity shares of Rs. 10 each to Rs 1,500 million divided into 15,00,00,000 equity shares of Rs. 10 each.

c) Capital Funds:

Sr.no	Particulars	30 Jun'26
		(in Rs Millions)
(a)	**Tier I Capital**	
I	**Paid up Capital**	**1,063**
II	**Reserves**	
	-Statutory Reserve	2,101
	-Capital Reserve	186
	-ESOP account	104
	-Share Premium	11,886
	-AFS Reserve	-11
	-General Reserve	146
	*-Balance in Profit**	5,846
III	**Less: Deferred Tax Assets**	**-806**
	Total Tier I Capital	**20,516**

(b)	**Tier II capital (net of deductions from Tier II capital)**	**703**
I	**General Provision and Loss Reserves**	**703**
II	**Subordinated debt eligible for inclusion in Tier II capital**	
	- Total amount outstanding	1,000
	- Of which amount raised during the current year	0
	Amount eligible to be reckoned as capital funds	**0**
III	**Other deductions from capital if any**	0
(c)	**Total Eligible Capital (Tier I + Tier II)**	**21,219**
*Note: *The balance in Profit Loss Account includes profit for the Current Year.*		

(i) Qualitative Disclosure:

a) Applicable Regulations:

The RBI issued Prudential Norms on Capital Adequacy for Small Finance Banks in Nov 2025. These guidelines specify that capital adequacy should be based on three pillars as given below:

Pillar 1 - Minimum capital requirements for credit risk, market risk and operational risk
Pillar 2 - Supervisory review of capital adequacy
Pillar 3 - Market discipline

Market discipline (Pillar 3) comprises a set of disclosures on the Capital Adequacy and Risk Management framework of the Bank. Pillar 3 disclosures as per RBI master circular on Capital Regulations are set out in the following sections for information.

b) Regulatory capital assessment:

The Bank is subject to Capital Adequacy guidelines stipulated by Reserve Bank of India (RBI). In line with RBI guidelines, the Bank has adopted Standardized Approach for Credit Risk while computing Capital Adequacy Ratio (CAR).

c) Minimum capital requirements:

As per operating guidelines for Small Finance Bank, the Bank is required to maintain a minimum CRAR of 15% with minimum Common Equity Tier I (CET I) CAR of 6%.

As on 30 Jun 2026 total CRAR of the Bank stood at 20.03%, which is above regulatory minimum requirement of 15%. Tier-I ratio of the Bank stood at 19.37%, which is well above regulatory requirement of 6%.

d) Assessment of adequacy of capital to support current and future activities:

The Bank has a policy on Internal Capital Adequacy Assessment Process (ICAAP) which is approved by the Board of Directors (Board). Under ICAAP, the Bank determines whether it has adequate level of capital to meet regulatory norms, current and future business needs, including stress scenarios. ICAAP evaluates and documents all risks and substantiates appropriate capital allocation for not only risks identified under Pillar 1 (i.e. Credit, Market and Operational Risk) but for the ones identified under Pillar 2 as well.

ICAAP enables the Bank to ensure the adequacy of capital to take care of the future business growth and various other risks that the Bank is exposed to, so that the minimum capital required is maintained on a continuous basis and at the times of changing economic conditions / economic recession. The Bank considers both quantifiable and non-quantifiable risks while assessing capital requirements. The Bank considers the following risks as material and has considered these while assessing its capital requirements:

i. Credit Risk, Risk of under-estimation of credit risk under standardized approach and weakness in Credit Risk Mitigants and Collateral Risk
ii. Market Risk
iii. Operational Risk
iv. Information security Risk
v. Fraud Risk Management
vi. Liquidity Risk
vii. Credit Concentration Risk
viii. Interest Rate Risk
ix. Model Risk
x. Residual risk of securitization
xi. Strategic Risk
xii. Reputational Risk
xiii. Compliance Risk
xiv. Settlement Risk
xv. Human Capital Risk
xvi. Group Risk
xvii. Outsourcing and Vendor Management Risk

e) Monitoring and reporting

The Board of Directors of Suryoday Bank maintains an active oversight over the Bank's capital adequacy levels. On a quarterly basis, an analysis of the capital adequacy position and the risk weighted assets and an assessment of the various aspects of guidelines on capital and risk management as stipulated by RBI, are reported to the RMCB and Board.

(ii) Quantitative Disclosure:

a) Capital requirements for various risks.

A summary of Bank's capital requirement for credit, market and operational risk on 30 Jun'26 is presented below:

		(Rs. In Million)
SN	**Particulars**	**30 Jun'26**
(a)	Capital requirements for Credit risk:	
	- Portfolios subject to standardized approach	15,854
	- Securitization exposures	33
(b)	Capital requirements for Market risk:	
	Standardized duration approach	
	- Interest rate risk	-
	- Foreign exchange risk (including gold)	-
	- Equity risk	-
(C)	Capital requirements for Operational risk:	-
	- Basic indicator approach	-

b) Common Equity Tier-1, Tier-1 and Total Capital ratios:

Ratios	30 Jun'26
Capital Adequacy Ratios*	
- Total Capital Adequacy Ratio (%)	**20.03%**
- Tier -1 Capital Adequacy Ratio (%)	19.37%
- Common Equity Tier - 1 Capital Adequacy Ratio (%)	19.37%

*** Note**: No separate capital charge has been applied by the Bank for Market and Operational risk while calculating Capital Adequacy Ratio for quarter ending 30 Jun'26 in accordance with the regulatory guidelines for Small Finance Banks.

DF-3: Credit Risk- General Disclosures

(i) Qualitative Disclosure:

"Credit risk" is defined as the possibility of losses associated with diminution in the credit quality of borrowers or counterparties. In the Bank's portfolio, losses stem from outright default due to inability or unwillingness of a borrower or counterparty to meet commitments in relation to lending, trading, settlement and other financial transactions.

a) Policy and Strategy for Credit Risk Management

The Bank has put in place Credit Policy, Collection and Recovery Policy, Income Recognition and Asset Classification (IRAC) Policy and Credit Risk Management Policy whereby credit risk can be identified, quantified, and managed within the framework that is considered consistent with the scale, size of business and risk appetite of the Bank. These policies are guided by the objective to build, sustain and maintain a high-quality credit portfolio by risk identification, measurement, monitoring, control/mitigation techniques and management of problem loans/ credit.

The policies reflect the Bank's approach towards lending to borrowers in light of prevailing business environment and regulatory stipulations. All these policies are approved by the Board of Directors of the Bank and are reviewed regularly.

To avoid concentration of credit risk, the Bank has put in place internal guidelines on exposure norms in respect of single borrower, group borrower, product exposure, etc. based on various guidelines issued by regulators.

The delegation structure for approval of credit limits is approved by the Board of Directors. Credit Committees, comprising of various senior officials from the Bank including representation from the Risk Department, are constituted for approval of high-ticket size loan proposals.

b) Organizational Structure for Credit Risk Management function

The organizational structure of the Bank for Credit Risk Management function has the Board of Directors at the apex level that maintains overall oversight on the management of risks. The Risk Management Committee of the Board (RMCB) assists the Board in relation to the oversight and review of the Bank's risk management principles and policies, strategies, appetite, processes and controls which includes credit risk. RMCB approves/recommend the Bank's credit policies, prudential exposure limits, product asset quality review, credit assessment and approval system, margin and collateral management, credit documentation, credit pricing framework, credit administration and monitoring system, credit risk management system etc.

At an operational level, Risk Management Committee of the Executives is responsible for overseeing implementation of credit and operational risk management framework across the Bank. The Committee reviews status of portfolio management, loan review mechanism, risk monitoring and evaluation, regulatory/legal compliance, adequacy of provision, risk concentrations, industry reviews and suggest corrective measures.

The roles and responsibilities of the key functions are as detailed below:

- Credit Risk Function: The Credit Risk Function, with support from Business Units, is entrusted with the responsibility of implementing processes for credit risk identification, assessment, measurement, monitoring and control. Credit Risk function executes portfolio risk management activities, analyse early warning signals, study the impact of various stress testing scenarios.

- Business Units: Business Units are primarily responsible for day-to day risk management with regard to processing transactions and the establishment of internal controls to treat the risks associated with those transactions. Business units are required to comply with credit risk management policies and processes related to the origination and management of credit risks.

c) Credit risk measurement, mitigation, monitoring & reporting systems

1. Credit Origination and Appraisal System

There are separate Credit Origination and Appraisal Processes for Inclusive Finance (IF) and Retail Assets segments. The IF segment relies largely on standardized product programs for credit risk assessment and approvals. Within the Retail Assets segment, on the other hand, the Bank has adopted underwriting standards for different client categories that is based, inter alia, on ticket size, availability of security and other risk parameters. The credit sanctions are provided by experienced credit professionals with delegated approval authorities as per Bank's Board approved Credit Policy, based on detailed appraisal memorandum that takes into account business and financial risks of the proposal. The Bank developed a Credit Scoring Model for retail segment which is expected to evolve and get fine-tuned when more and more cases are sanctioned based on detailed credit appraisal.

2. Credit Documentation

Collateral/security documents are finalized and registered in consultation with the legal and compliance department. The RM/RO and Credit Operation are jointly responsible for ensuring that proper documentation is obtained as per the check list provided by credit and legal department. The Credit Operation team is responsible for the safe custody of all documentation. Documents from various branches are sent within 15 days of the sanction of the facility.

3. Post Sanction Monitoring

Credit monitoring involves follow-up and supervision of the Bank's exposures with a view to maintaining the asset quality at the desirable level, through proactive and corrective actions, aimed at controlling and mitigating the credit risk to the Bank**.** The main objectives of credit monitoring are:

- To ensure that there is timely recovery of principal and interest from the borrower.
- To assess the health of the borrower units at periodic intervals with reference to the key indicators of performance such as stability, activity level etc.

Effective and on-going follow-up and supervision of borrower accounts are the important component in the Bank's credit monitoring process. It is critical and important to strengthen the credit monitoring mechanism, and the Bank strives to graduate to stringent/leading practices in monitoring on an on-going basis. The Bank accord special emphasis on credit monitoring at all times.

4. Security monitoring:

The value of the collateral is reassessed at periodic intervals. Collateral valuations are updated at a frequency appropriate to the value and nature of the collateral and the ease and costs of valuation.

5. Monitoring Standards – Portfolio level:

The Bank is performing portfolio monitoring monthly with specific focus on the following key aspects:
- Portfolio asset quality – Delinquencies in various buckets: 1+ days, 30+ days, 60+ days, 90+ days, NPAs, Write-offs, Recoveries, Non-starters and early delinquencies (30+ in less than 6 months or 60+ in less than 12 months, etc.)
- Portfolio concentration limits – Concentration across tenor, single borrower, group borrower level, geography, product, etc.

The Credit/Credit Risk unit is responsible for conducting portfolio level monitoring and publishing relevant MIS reports.

6. Periodic Quality & Control Reviews:

Internal Audit exercise is conducted by way of periodic reviews and checks to ensure adherence to established credit policies and procedures. On a periodic basis, a sample of applications and approvals & rejects are selected and checked for adherence to the credit filters, credit underwriting and verification criteria. Feedback provided to branches; changes made to the process as a result of these reviews are documented.

Quality & control review primarily focus on the following key aspects:

- Loan Approval process
- Adherence to internal policies and procedures and applicable laws/Regulations
- Compliance with loan covenants
- Post Disbursal Documentation (PDD) compliance
- Sufficiency of loan documentation

7. Recovery Policy:

- The Bank has a Collection and Recovery policy. This policy is formulated within the framework of various regulatory requirements and is reviewed annually by the Board or earlier, if required.
- The recovery process is required to be started as soon as a borrower account shows symptoms of weakness / default and the Bank does not wait till the borrower account is classified as NPA.
- The Bank does document the efforts made for the recovery of dues and relevant stakeholders are kept informed.
- The repayment record of borrowers is monitored both with regard to payment of interest and repayment of principal. The mode of recovery is decided after conducting a root cause analysis of the reason for default.

- Whenever a borrower defaults or is likely to default, rigorous follow-up is made for the collection of dues / arrears. When default occurs, oral and written communications is sent to the borrower to regularise their accounts within a specified period.
- In case the loan is secured by a guarantee (personal or corporate), steps are taken to recover dues from the guarantor.
- The Bank uses any of the following broad methods for management of problem accounts on case-to-case basis as it deems fit:
  - Restructuring, rephasement and rehabilitation
  - Exit strategy.
  - Settlements / compromise
  - Sell down to Asset Reconstruction Company (ARC) / other entities.
  - Invocation of SARFAESI
  - Legal Action & recovery

d) Definition and classification non-performing assets (NPAs)

An asset, including a leased asset, becomes non-performing when it ceases to generate income for the Bank. A "Non-performing Asset" (NPA) is a loan or an advance where:

- Interest and/ or instalment of principal remains overdue for a period of more than 90 days in respect of a term loan.
- The account remains ‘out of order’ as indicated below, in respect of an Overdraft/Cash Credit (OD/CC):
  1. The outstanding balance in the CC/OD account remains continuously in excess of the sanctioned limit/drawing power for 90 days, or
  2. The outstanding balance in the CC/OD account is less than the sanctioned limit/drawing power but there are no credits continuously for 90 days, or the outstanding balance in the CC/OD account is less than the sanctioned limit/drawing power but credits are not enough to cover the interest debited during the previous 90 days period.
- The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted.
- The instalment of principal or interest thereon remains overdue for two crop seasons for short duration crops.
- The instalment of principal or interest thereon remains overdue for one crop season for long duration crops.
- The amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitisation transaction undertaken in terms of the Reserve Bank of India (Securitisation of Standard Assets) Directions, 2021 as amended from time to time.
- In respect of derivative transactions, the overdue receivables representing positive mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment.
- A credit card account where the minimum amount due, as mentioned in the statement, is not paid fully within 90 days from the payment due date mentioned in the statement.

e) Credit risk exposures

Credit risk exposures (excluding specific risk on held-for-trading portfolio) include all credit exposures as per RBI guidelines on exposure norms and investments in the held-to-maturity category, wherever applicable.

(ii) Quantitative Disclosures

1. Total gross credit risk exposures* as on 30 Jun'26

Category	Credit Exposure
	(in Rs. Million)
Fund Based	**2,01,982**
Gross Advances^	1,34,300
Investment	38,643
All other Assets	29,039
Off Balance sheet**	**6**
Total Exposures	**2,01,988**

Note: *Represents book value as on 30 Jun 2026.
** Credit Equivalent Amount
^ Net of NPA Provisions and IBPC amount.

2. Geographic distribution of exposure*, Fund based & non-fund based separately.

Category	30 Jun'26		
	Domestic	Overseas	Total
			(in Rs. Million)
Fund Based	2,01,982	-	2,01,982
Off Balance Sheet	6	-	6
Total	**2,01,988**	**-**	**2,01,988**

Note: *Represents book value

3. Residual contractual maturity breakdown of assets as on 30 Jun'26:

Maturity bucket	Cash, balances with RBI and other banks	Investments	Loans & Advances	Other assets including Fixed Assets	Total
					(in Rs. Million)
Day 1	10,497	11,507	82	6,776	**28,863**
2 to 7 days	78	380	3,645	5	**4,108**
8 to 14 days	68	345	698	21	**1,132**
15 to 30 days	59	1,024	1,022	1,641	**3,745**
31 days to 2 months	612	1,951	5,099	55	**7,717**
2 months to 3 months	963	1,262	5,664	100	**7,989**
3 months to 6 months	738	3,939	14,708	239	**19,624**
6 months to 1 year	343	3,084	29,514	0	**32,941**
1 Year to 3 years	2,047	11,217	42,608	364	**56,235**
3 Years to 5 years	627	3,514	9,272	512	**13,925**
Over 5 years	5	430	21,230	4,095	**25,759**
Total	**16,038**	**38,653**	**1,33,541**	**13,807**	**2,02,039**

4. Asset Quality

- **Classification of gross NPA:**

Particulars	30 Jun'26
	(in Rs Million)
Sub-standard	4,787.97
Doubtful:	
Doubtful 1	4,204.20
Doubtful 2	112.07
Doubtful 3	188.00
Loss	19.26
Total Gross NPAs	**9,311.50**

- **Net NPAs**

Particulars	30 Jun'26
	(in Rs. Million)
Gross NPAs	9,311.50
Less: Provisions	6,857.00
Net NPAs before floating and other provisions	2,454.49
Less: Floating Provision	642.73
Less: ECLGS Claim Received	116.24
Net NPAs	**1,695.53**

- **NPA Ratios**

Particulars	30 Jun'26
Gross NPAs to gross advances	6.60%
Net NPAs to net advances	1.27%

- **Movement of Gross NPAs**

Particulars	30 Jun'26
	(in Rs. Million)
Opening balance as on April 01, 2026	8,641.84
Additions during the year	918.47
Recoveries (excluding Recoveries made from upgraded accounts)	68.93
Upgrades	130.75
Write offs	38.56
Sold to ARC	0.00
One Time Settlement	10.57
Closing balance	**9,311.50**

- **Movement of Provisions for NPA:**

Particulars	NPA Provision	Floating Provision	ECLGS Claim Received	Total
				(in Rs. Million)
Opening balance as on April 01, 2026	2,525.93	591.71	105.37	3,223.01
Provisions made during the year	4,430.40	51.03	10.86	4,492.29
Any other adjustment, including transfer between provisions	0.00	0.00	0.00	0.00
Write-back of excess provisions (including Write off – Technical and Actual)	99.33	0.00	0.00	99.33
Closing balance	**6,857.00**	**642.73**	**116.24**	**7,615.97**

- **Non-performing Investment:**

Particulars	30 Jun'26
	(in Rs. Million)
Gross Non-Performing Investment	-
Less: Provisions	-
Net Non-Performing Investment	-

- **Provision for depreciation on Investment:**

Particulars	30 Jun'26
	(in Rs. Million)
Opening balance as on 01.04.2026	28.24
Provisions made during the year	0
Write-Off	
Any other adjustment, including transfer between provisions	0
Write-back of excess provisions	-32.93
Closing balance	**-4.69**

- **Provision for Standard Asset**

Particulars	30 Jun'26
	(in Rs. Million)
Opening balance as on April 01, 2026	448.45
Provision made/reversed during the year	32.87
Any other adjustment, including transfer between provisions	0.00
Closing balance	**481.32**

- **Geographic Distribution**

Category	**30 Jun'26**		
	Domestic	**Overseas**	**Total**
			(in Rs. Million)
Gross NPA	9,311.50	0.00	9,311.50
Provision for NPA	6,857.00	0.00	6,857.00
Floating Provision	642.73	0.00	642.73
ECLGS Claim Received	116.24	0.00	116.24
Provision for Standard Assets	481.32	0.00	481.32

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

(i) Qualitative Disclosure:

a) Ratings used under Standardized Approach:

Rating Agencies considered by the Bank:

1. Acuite Ratings and Research
2. Brickworks Rating
3. Care Ratings
4. CRISIL Ratings Limited
5. ICRA Limited
6. India Ratings and Research (FITCH Group)
7. Infomerics Ratings

b) The Bank has utilized the ratings from the above agencies for our FIG (Financial Institution Group) and SCF (Supply Chain Finance) customers. The rest of the corporate exposure is considered as unrated, and hence the Bank has applied risk weight as applicable to unrated corporates.

(ii) Quantitative Disclosures

For exposure amounts after risk mitigation subject to the standardized approach, amount of Bank's exposure in the following four major risk buckets as well as those that are deducted:

Row Labels	30 Jun'26
	(in Rs. Million)
At 0% risk weight	17,922
Below 100% risk weight	1,53,918
100% risk weight	16,181
More than 100% risk weight	13,967
Deducted (Deferred Taxes)	*806*

Leverage Ratio:

Capital and total exposures	30 Jun'26
(in Rs Millions)	
Tier 1 capital(A)	**20,516**
Total exposures (B)	**2,02,517**
Leverage ratio(A/B)	**10.13%**