

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 Basel II Framework of RBI 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.

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.

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c) Capital Funds:

Sr.no	Particulars	31 Dec'25
		<i>(in Rs Millions)</i>
	Tier I Capital	
I	Paid up Capital	1,063
II	Reserves	
	-Statutory Reserve	1,721
	-Capital Reserve	56
	-ESOP account	104
	-Share Premium	11,886
	-General Reserve	120
	-Balance in Profit*	4,069
III	Less: Deferred Tax Assets	-770
(A)	Total Tier I Capital	18,250
I	General Provision and Loss Reserves	658
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	200
III	Other deductions from capital if any	0
(B)	Tier II capital (net of deductions from Tier II capital)	858
(c)	Total Eligible Capital (Tier I + Tier II)	19,108

*The balance in Profit & Loss Account does not include profits for 9MFY26.

DF-3: Capital Adequacy

(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

Pillar 2 - Supervisory review and Evaluation Process of capital adequacy

Pillar 3 - Market discipline comprising a set of disclosures on the Capital Adequacy and Risk Management framework of the Bank.

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b) Regulatory capital assessment:

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

c) Minimum capital requirements:

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

As on 31 Dec'25 total CRAR of the Bank stood at 21.94%, which is well above regulatory minimum requirement of 15%. Tier I ratio of the Bank stood at 20.96%, 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 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:

- Interest Rate Risk in banking Book
- Credit & Credit Concentration Risk
- Model Risk
- Market Risk
- Operational Risk
- Liquidity Risk
- Settlement Risk
- Reputational Risk
- Business Risk
- Strategic Risk
- Compliance Risk

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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 on capital 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 31 Dec’25 is presented below:

Sr. No.	Particulars	31 Dec’25
		<i>(In Rs. million)</i>
(a)	Capital requirements for Credit risk:	
	- Portfolios subject to standardized approach	13,028
	- 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	31 Dec’25
Capital Adequacy Ratios*	
- Total Capital Adequacy Ratio (%)	21.94%
- Tier -1 Capital Adequacy Ratio (%)	20.96%
- Common Equity Tier - 1 Capital Adequacy Ratio (%)	20.96%

* **Note:** No separate capital charge has been applied by the Bank for Market and Operational risk while calculating Capital Adequacy Ratio for quarter ending 31 Dec’25 in accordance with the regulatory guidelines for Small Finance Banks.

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DF-4: 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 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.

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At 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 execute 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 (RA) segments. The IF segment relies largely on standardized product programs for credit risk assessment and approvals. Within the RA segment, on the other hand, the Bank has adopted underwriting standards for different client segments 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:

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- To ensure that there is timely recovery of principal and interest from 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

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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, rephasing and rehabilitation
 - Exit strategy.
 - Settlements / compromise
 - Sell down 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 remain overdue for a period of more than 90 days in respect of a Term Loan,
- The account remains 'out of order', in respect of an Overdraft/Cash Credit (OD/CC),
- A working capital borrowal account where irregular drawings are permitted in the account for a continuous period of 90 days even though the unit may be working or the borrower's financial position is satisfactory.
- The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted;
- An account where the regular / ad hoc credit limits have not been reviewed / renewed within 180 days from the due date / date of ad hoc sanction.
- Instalment of principal or interest thereon remains overdue for two crop seasons for short duration crops.
- Instalment of principal or interest thereon remains overdue for one crop season for long duration crops.

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- 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 (Small Finance Banks – Securitisation Transactions) Directions, 2025.
- In respect of derivative transactions, the overdue receivables representing positive mark-to-market (MTM) value of a derivative contract, 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 trading book) include all credit exposures as per RBI guidelines on exposure norms and investments in banking book.

(ii) Quantitative Disclosures

1. Total gross credit risk exposures* as on 31 Dec'25

Category	Credit Exposure
<i>(in Rs. Million)</i>	
Fund Based	1,69,594
Gross Advances [^]	1,15,438
Investment	33,623
All other Assets	20,534
Non - Fund Based**	7
Total Exposures	1,69,601

*Represents book value as on 31 Dec'25. ** Credit Equivalent Amount; [^] Net of NPA Provisions and IBPC amount.

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

Category	31 Dec'25		
	Domestic	Overseas	Total
<i>(in Rs. Millions)</i>			
Fund Based	1,69,594	-	1,69,594
Non - Fund Based	7	-	7
Total	1,69,601	-	1,69,601

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3. Residual contractual maturity breakdown of assets as on 31 Dec'25.

Maturity bucket	Cash, balances with RBI and other banks	Investments	Loans & Advances	Other assets including Fixed Assets	Total
<i>Fig. in Rs million</i>					
Day 1	8,053	8,654	121	1,537	18,366
2 to 7 days	95	425	3,299	2	3,820
8 to 14 days	307	526	689	17	1,540
15 to 30 days	41	1,411	969	1,381	3,801
31 days to 2 months	114	2,788	5,271	27	8,200
2 months to 3 months	122	859	5,114	52	6,147
3 months to 6 months	910	2,785	12,873	178	16,746
6 months to 1 year	1,251	4,206	22,020	0	27,478
1 Year to 3 years	1,426	8,944	35,176	461	46,007
3 Years to 5 years	470	2,964	11,182	409	15,025
Over 5 years	4	320	18,493	4,445	23,263
Total	12,793	33,881	1,15,208	8,511	1,70,392

4. Asset Quality

- Classification of gross NPAs as on 31 Dec'25

Particulars	31 Dec'25
	<i>(In Rs. Million)</i>
Sub-standard	7,005.17
Doubtful	
▪ Doubtful 1	563.19
▪ Doubtful 2	229.26
▪ Doubtful 3	77.93
Loss	27.91
Total Gross NPAs	7,903.46

- Net NPAs

Particulars	31 Dec'25
	<i>(In Rs. Million)</i>
Gross NPAs	7,903.46
Less: Provisions	2,302.70
Net NPAs before floating provision	5,600.76
Less : Floating Provision	505.00
Less : ECLGS Claims Received	85.16
Net NPA	5,010.60

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- **NPA Ratios**

Particulars	31 Dec'25
Gross NPAs to gross advances	6.69%
Net NPAs to net advances	4.35%

- **Movement of Gross NPAs**

Particulars	31 Dec'25
	<i>(In Rs. Million)</i>
Opening Balance as on 01.04.2025	7,338.37
Additions during the year (+)	6,056.41
Recoveries (Excluding Recoveries made from Upgraded Accounts) (-)	130.64
Upgrades (-)	173.36
Write Offs (-)	5,049.52
Sold to ARCs	116.56
One Time Settlement	21.23
Closing Balance	7,903.46

- **Movement of Provisions for NPAs as on 31 Dec'25**

Particulars	NPA Provision	Floating Provision	ECLGS Claim Received	Total
	<i>(in Rs Millions)</i>			
Opening balance as on April 01, 2025	2,312.0	370.7	85.6	2,768.2
Provisions made during the year	5,248.8	134.3	-	5,383.2
Any other adjustment, including transfer between provisions	-	-	-	-
Write-back of excess provisions (including Write off – Technical and Actual)	5,258.1	-	0.4	5,258.5
Closing balance	2,302.7	505.0	85.2	2,892.9

- **Non-performing Investment**

Particulars	31 Dec'25
	<i>(In Rs. Million)</i>
Gross Non-Performing Investment	-
Less: Provisions	-
Net Non-Performing Investment	-

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- **Provision for depreciation on Investment**

Particulars	31 Dec'25
	<i>(In Rs. Million)</i>
Opening balance as on 01.04.2025	-4.58
Provisions made during the year	-2.47
Write-Off	-4.58
Any other adjustment, including transfer between provisions	0
Write-back of excess provisions (net of provisions made and write back)	0
Closing balance	-2.47
<i>Note - Provisions for depreciation on investment is including AFS Reserve.</i>	

- **Provision for Standard Asset (including UFCE Provision)**

Particulars	31 Dec'25
	<i>(In Rs. Million)</i>
Opening balance as on 01.04.2025	386.30
Provision made/reversed during the year	35.77
Any other adjustment, including transfer between provisions	-
Closing balance	422.07

- **Geographic Distribution**

Category	31 Dec'25		
	Domestic	Overseas	Total
	<i>(In Rs. Million)</i>		
Gross NPA	7,903.46	-	7,903.46
Provision for NPA	2,302.70	-	2,302.70
Floating Provision	505.00	-	505.00
ECLGS Claim Received	85.16	-	85.16
Provision for Standard Assets	422.07	-	422.07

DF-5: 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. Brickwork Ratings India Pvt Ltd
3. Care Edge Ratings
4. CRISIL Ratings Limited

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5. ICRA Limited
6. India Ratings and Research (FITCH Group).
7. INFOMERICS Valuation and Rating Limited (INFOMERICS).

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:

Particulars	31 Dec'25
<i>(in Rs Millions)</i>	
At 0% risk weight	40,479
Below 100% risk weight	1,09,575
100% risk weight	12,973
More than 100% risk weight	6,574
<i>Deducted (Deferred Taxes and Prepaid Expenses)</i>	<i>770</i>

Leverage Ratio:

Capital and total exposures	31 Dec'25
<i>(in Rs Millions)</i>	
Tier 1 capital(A)	18,250
Total exposures (B)	1,70,408
Leverage ratio(A/B)	10.71%