IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QIBs (AS DEFINED BELOW) UNDER RULE 144A UNDER THE SECURITIES ACT (AS DEFINED BELOW) OR (2) PURCHASING THE SECURITIES OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT (AS DEFINED BELOW).

IMPORTANT: You must read the following before continuing. The following applies to the Offering Memorandum (the "**Offering Memorandum**") following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Memorandum. In accessing the Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING OFFERING MEMORANDUM MAY NOT BE DOWNLOADED, FORWARDED OR DISTRIBUTED, IN WHOLE OR IN PART, TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY DOWNLOADING, FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation and your Representation: In order to be eligible to view this Offering Memorandum or make an investment decision with respect to the securities, investors must be either (1) Qualified Institutional Buyers ("**QIBs**") (within the meaning of Rule 144A under the Securities Act) or (2) non-U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) purchasing the securities outside the United States in an offshore transaction in reliance on Regulation S. By accepting the e-mail and accessing this Offering Memorandum, you shall be deemed to have represented to us that (1) you and any customers you represent are either (a) QIBs or (b) the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States and you are a non-U.S person (as defined in Regulation S) and (2) you consent to delivery of such Offering Memorandum and any amendments or supplements thereto by electronic transmission.

You are reminded that this Offering Memorandum has been delivered to you on the basis that you are a person into whose possession this Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver or disclose the contents of this Offering Memorandum to any other person. You should not reply by e-mail to this notice, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generated by using the "Reply" function on your e-mail software, will be ignored or rejected.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Initial Subscribers (as defined in the Offering Memorandum) or any affiliate of the Initial Subscribers are a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Initial Subscribers or such affiliate on behalf of the Issuer (as defined in the Offering Memorandum) in such jurisdiction.

Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**") - In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 (the "**CMP Regulations 2018**"), the Issuer has determined the classification of the Notes as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

This Offering Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of the Issuer, Initial Subscribers, nor any person who controls any of them nor any director, officer, employee nor agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Memorandum distributed to you in electronic format and the hard copy version available to you on request from the Initial Subscribers.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other item of a destructive nature.

STATE BANK OF INDIA

(Constituted under the State of Bank of India Act, 1955)

State Bank of India, acting through its London Branch
U.S.$400,000,000 4.00% Notes due 2022
U.S.$850,000,000 4.375% Notes due 2024

The U.S.$400,000,000 4.00% Notes due 2022 (the "**2022 Notes**") and the U.S.$850,000,000 4.375% Notes due 2024 (the "**2024 Notes**" and together with the 2022 Notes, the "**Notes**") of State Bank of India (the "**Bank**"), acting through its London Branch, will mature on January 24, 2022 and January 24, 2024 respectively. The Notes will be direct, unconditional, unsecured and unsubordinated general obligations of the Bank.

The 2022 Notes will bear interest from January 24, 2019 at a rate of 4.00% per annum. The 2024 Notes will bear interest from January 24, 2019 at a rate of 4.375% per annum. Interest on each series of the Notes shall be payable semi-annually in arrear on January 24 and July 24 of each year. The first payment of interest on each series of the Notes will be made on January 24, 2019. The Notes may not be redeemed prior to maturity, except that the Bank may, at its option, redeem each series of the Notes in whole, but not in part, at any time at par plus accrued interest, in the event of certain tax changes as described under "*Terms and Conditions of the Notes — Redemption for tax reasons*." The Notes will be issued only in registered form in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

An application will be made for the listing of the Notes on the Official List of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). The SGX-ST assumes no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Admission of the Notes to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Bank or the Notes.

An application has been made for the listing of the Notes on the India International Exchange (the "**INX**"). The INX has not approved or verified the contents of this Offering Memorandum.

The Notes have been rated "Baa 2" by Moody's Investors Service, Inc. ("**Moody's**"), "BBB-" by S&P Global Ratings ("**S&P**") and "BBB-" by Fitch Ratings ("**Fitch**"). These ratings do not constitute a recommendation to buy, sell or hold the Notes and may be subject to suspension, rescission or withdrawal at any time by such rating organizations.

See "*Risk Factors*" beginning on page 19 for a discussion of certain factors to be considered in connection with an investment in the Notes.

Issue Price for the 2022 Notes: 99.684%
Issue Price for the 2024 Notes: 99.880%

The Notes have not been and will not be registered under the United States Securities Act of 1933 (the "**Securities Act**"), or with any securities regulatory authority of any state or other jurisdiction of the United States and are being offered and sold in the United States only to qualified institutional buyers ("**QIBs**") in reliance on, and in compliance with, Rule 144A under the Securities Act ("**Rule 144A**") and only to or for the account or benefit of non-U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**") or outside the United States in reliance on Regulation S. Each prospective purchaser of the Notes that is a QIB is hereby notified that the offer and sale of Notes to it may be made in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A.

The 2022 Notes and the 2024 Notes will each be represented by one or more global certificates in fully registered form, without coupons, which will be registered in the name of a nominee of The Depository Trust Company ("**DTC**"). The initial subscribers listed under "*Plan of Distribution*" herein (the "**Initial Subscribers**") expect to deliver the Notes to investors through the book-entry facilities of DTC, Euroclear Bank SA/NV ("**Euroclear**"), and Clearstream Banking S.A. ("**Clearstream, Luxembourg**") on or about January 24, 2019.

Joint Lead Managers and Bookrunners

BARCLAYS	**BofA MERRILL LYNCH**	**CITIGROUP**
HSBC	**J.P. MORGAN**	**MIZUHO SECURITIES**
MUFG	**STANDARD CHARTERED BANK**	**SBICAP**

The date of this Offering Memorandum is January 16, 2019

IMPORTANT NOTICE

THIS OFFERING MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE THE OFFER OR SOLICITATION IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS OFFERING MEMORANDUM NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER, OR ANY OF ITS SUBSIDIARIES OR THAT THE INFORMATION SET FORTH IN THIS OFFERING MEMORANDUM IS CORRECT AS AT ANY DATE SUBSEQUENT TO THE DATE HEREOF.

IN CONNECTION WITH THE ISSUE OF THE NOTES, THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED (THE "STABILIZING MANAGER") OR ANY PERSON ACTING ON ITS BEHALF MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE TRADING PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER (OR ANY PERSON ACTING ON ITS BEHALF) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILIZATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILIZING MANAGER (OR ANY PERSON ACTING ON ITS BEHALF) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**") — In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 (the "**CMP Regulations 2018**"), the Bank has determined the classification of the Notes as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

This Offering Memorandum is not a prospectus for the purposes of EU Directive 2003/71/ EC (as amended or superseded).

Neither the Bank, the Initial Subscribers nor any of the Bank's or the Initial Subscribers' respective affiliates or representatives is making any representation to any offeree or purchaser of the Notes offered hereby regarding the legality of any investment by such offeree or purchaser under applicable legal investment or similar laws. Each prospective investor should consult with its own advisors as to legal, tax, business, financial and related aspects of a purchase of the Notes.

For this Offering, the Bank and the Initial Subscribers are relying upon exemptions from registration under the Securities Act for offers and sales of securities which do not involve a public offering, including Rule 144A. **Prospective investors are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.** The Notes are subject to restrictions on transferability and resale. Purchasers of the Notes may not transfer or resell the Notes except as permitted under the Securities Act and applicable state securities laws. See "*Transfer Restrictions*." Prospective investors should thus be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

This Offering Memorandum has not been and will not be registered, produced or published as an offer document (whether as a prospectus or statement in lieu of a prospectus in respect of a public offer or an information memorandum or private placement offer letter or other offering material in respect of a private placement under the Companies Act, 1956, Companies Act, 2013 (each as amended, supplemented or re-enacted from time to time) and the rules framed thereunder or any other applicable Indian laws for the time being in force) with the Registrar of Companies, the Securities and Exchange Board of India or any other statutory or regulatory body of like nature in India, save and except for any information from part of the Offering Memorandum which is mandatorily required to be disclosed or filed in India under any applicable Indian laws.

The distribution of this Offering Memorandum and the offer and sale of the Notes may, in certain jurisdictions, be restricted by law. Each purchaser of the Notes must comply with all applicable laws and regulations in force in each jurisdiction in which it purchases, offers or sells the Notes or possesses or distributes this Offering Memorandum, and must obtain any consent, approval or permission required for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes purchases, offers or sales. There are restrictions on the offer and sale of the Notes, and the circulation of documents relating thereto, in certain jurisdictions including the United States, the European Economic Area, the United Kingdom, Hong Kong, Singapore and India, and to persons connected therewith. See "*Plan of Distribution*."

The Bank and the Initial Subscribers reserve the right to reject any offer to purchase any of the Notes, in whole or in part, for any reason, as well as the right to sell less than the principal amount of the Notes offered by this Offering Memorandum or for which any prospective purchaser has subscribed.

Investors should contact the Initial Subscribers with any questions about this Offering or if they require additional information to verify the information contained in this Offering Memorandum.

This Offering Memorandum has been prepared by the Bank solely for use in connection with the offering of the Notes. The Bank as well as the Initial Subscribers reserve the right to withdraw the Offering of the Notes at any time or to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the Notes offered hereby. This Offering Memorandum is personal to the prospective investor to whom it has been delivered by the Initial Subscribers and does not constitute an offer to any other person or to the public in general to subscribe for or otherwise acquire the Notes.

Except as set forth in the paragraph below, distribution of this Offering Memorandum to any person other than the prospective investor and those persons, if any, retained to advise that prospective investor with respect thereto is unauthorized, and any disclosure of its contents without its prior written consent is prohibited. Except as set forth in the paragraph below, the prospective investor, by accepting delivery of this Offering Memorandum, agrees to the foregoing and agrees not to make any photocopies of this Offering Memorandum.

This Offering Memorandum is intended solely for the purpose of soliciting indications of interest in the Notes from qualified investors and does not purport to summarize all of the terms, conditions, covenants and other provisions contained in the agency agreement and other transaction documents described herein. The information provided is not all-inclusive. The market information in this Offering Memorandum has been obtained by the Bank from publicly available sources deemed by the Bank to be reliable, including the Reserve Bank of India (the "**RBI**"), the Government and its various ministries, and the Indian Banks Association. Notwithstanding any investigation that the Initial Subscribers may have conducted with respect to the information contained herein, the Initial Subscribers do not accept any liability in relation to the information contained in this Offering Memorandum or its distribution or with regard to any other information supplied by or on its behalf.

The Bank confirms that, after having made all reasonable inquiries, this Offering Memorandum contains all information with regard to the Bank and the Notes which is material to the Offering and sale of the Notes, that the information contained in this Offering Memorandum is true and accurate in all material respects and is not misleading in any material respect and that there are no omissions of any other facts from this Offering Memorandum which, by their absence herefrom, make this Offering Memorandum misleading in any material respect. The Bank accepts responsibility accordingly. The information presented in the sections entitled "*Overview of the Indian Financial Sector*" and "*Regulation and Supervision*" has been accurately extracted from publicly available documents from various sources, including officially prepared materials from the Government of India and its various ministries and the RBI, and has not been independently verified by the Bank.

In this Offering Memorandum, the Initial Subscribers have not separately verified the information contained herein. Accordingly, the Initial Subscribers named herein make no representation or warranty, express or implied, as to the accuracy or completeness of such information, nothing contained in this Offering Memorandum is, or shall be relied upon as, a promise or representation by the Initial Subscribers, and no responsibility or liability is accepted by the Initial Subscribers as to the accuracy or completeness of the information contained in this Offering Memorandum of any other information in connection with the Notes, their distribution or the Offering. Investors may not reproduce or distribute this Offering in whole or in part, and investors may not disclose any of the contents of this Offering or use any information herein for any purpose other than considering an investment in the Notes. Investors agree to the foregoing by accepting delivery of this Offering Memorandum.

Prospective investors in the Notes should rely only on the information contained in this Offering Memorandum. Neither the Bank nor the Initial Subscribers has authorized the provision of information different from that contained in this Offering Memorandum. The information contained in this Offering Memorandum is accurate in all material respects only as of the date of this Offering Memorandum or as otherwise indicated, regardless of the time of delivery of this Offering Memorandum or of any sale of the Notes. Neither the delivery of this Offering Memorandum nor any sale made hereunder shall under any circumstances imply that there has been no change in the Bank's affairs and those of each of its respective subsidiaries or that the information set forth herein is correct in all material respects as of any date subsequent to its date.

The information on the Bank's website, www.sbi.co.in or on the respective websites of the Initial Subscribers, do not constitute or form part of this Offering Memorandum.

In making an investment decision, prospective investors must rely on their examination of the Bank and the terms of this Offering, including the merits and risks involved. The Notes have not been approved or disapproved by the United States Securities and Exchange Commission (the "SEC"), any other United States federal or state securities commission or any other United States or other regulatory authority. Furthermore, the foregoing authorities have not passed upon or endorsed the merits of the Offering or confirmed the accuracy or determined the adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offense in the United States.

AVAILABLE INFORMATION

While any Notes remain outstanding and are "restricted securities" as defined in Rule 144(a)(3) under the Securities Act, the Bank shall, during any period in which the Bank is not subject to Section 13 or 15(d) of the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**") or exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, make available to any QIB who is a holder and any prospective purchaser of Notes who is a QIB designated by such holder, upon the request of such holder or prospective purchaser, the information concerning the Bank required to be provided to such holder or prospective purchaser by Rule 144A(d)(4) under the Securities Act.

ENFORCEABILITY OF CIVIL LIABILITIES

The Bank is a statutory corporation constituted under the laws of India. Substantially all of its directors and executive officers and certain experts named herein reside in India, and a substantial portion of the Bank's assets and the assets of such persons are located in India. As a result, it may be difficult for investors to effect service of process upon the Bank or such persons outside India or to enforce judgments obtained against such parties outside India predicated upon civil liabilities of the Bank or such directors and executive officers under laws other than Indian law.

Recognition and enforcement of foreign judgments are provided for under Section 13 and Section 44A of the Civil Code on a statutory basis. The Bank understands that in India the statutory basis for recognition of foreign judgments is found in Section 13 of the Indian Code of Civil Procedure 1908, or the Civil Code, which provides that a foreign judgment shall be conclusive as to any matter directly adjudicated upon between the same parties or between parties under whom they or any of them claim litigating under the same title, except: (i) where the judgment has not been pronounced by a court of competent jurisdiction; (ii) where the judgment has not been given on the merits of the case; (iii) where the judgment appears on the face of the proceedings to be founded on an incorrect view of international law or a refusal to recognize the law of India in cases where such law is applicable; (iv) where the proceedings in which the judgment was obtained were opposed to natural justice; (v) where the judgment has been obtained by fraud; or (vi) where the judgment sustains a claim founded on a breach of any law in force in India.

India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. Section 44A of the Civil Code provides that where a foreign judgment has been rendered by a superior court, within the meaning of the section, in any country or territory outside India which the Government of India has by notification declared to be a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the relevant court in India. However, section 44A of the Code of Civil Procedure is applicable only to monetary degrees not being in the same nature of amounts payable in respect of taxes, other charges of a like nature or in respect of a fine or other penalties.

Under the Civil Code, a court in India shall presume, upon the production of any document purporting to be a certified copy of a foreign judgment, that such judgment was pronounced by a court of competent jurisdiction, unless the contrary appears on the record; but such presumption may be displaced by proving want of jurisdiction.

The United Kingdom has been declared by the Government of India to be a reciprocating territory for the purposes of Section 44A of the Civil Code but the United States has not been so declared. Accordingly, a judgment of a court in the United States may be enforced in India only by a suit upon the judgment, not by proceedings in execution whereas, a judgment of a superior court in the United Kingdom may be enforced by proceedings in execution, and a judgment not of a superior court, by a fresh suit resulting in a judgment or order. The suit must be brought in India within three years of the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if it viewed the amount of damages awarded as excessive or inconsistent with Indian practice. A party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI under the Foreign Exchange Management Act, 1999 to execute such a judgment or to repatriate any amount recovered. Also, a party may file suit in India against the Bank, its directors or its executive officers as an original action predicated upon the provisions of the federal securities laws of the United States.

The amount recovered may be subject to income tax in accordance with applicable laws. Any judgment in a foreign currency would be converted into Indian Rupees on the date of judgment and not on the date of payment.

The Bank understands that judgments obtained in U.S. courts based upon the civil liability provisions of the federal securities laws of the United States are not enforceable in U.K. courts and that there is doubt as to whether U.K. courts will enter judgments in original actions brought in the U.K. based only upon the civil liability provisions of the federal securities laws of the United States.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this Offering Memorandum, all financial data for fiscal years 2016, 2017 and 2018 and for the six months ended September 30, 2017 and 2018 is financial data of the Bank (as defined below) on a standalone basis unless otherwise specified. The assets of the Bank represented 95.5% of the total assets of the Group (as defined below) as of March 31, 2018 and the net loss of the Bank represented 143.7% of the Group's total net loss for fiscal year 2018.

The Bank prepares its financial statements in Rupees in accordance with generally accepted accounting principles in the Republic of India ("**Indian GAAP**") which differ in certain important respects from generally accepted accounting principles in the United States ("**U.S. GAAP**"). For a discussion of the principal differences between Indian GAAP and U.S. GAAP as they relate to the Bank, see "*Description of Certain Differences Between Indian GAAP and U.S. GAAP*."

Industry and market share data in this Offering Memorandum are derived from data of the RBI, the Government and its various ministries, and the Indian Banks Associations and calculated by the Bank where applicable. Indian economic data in this Offering Memorandum is derived from data of the RBI, the economic surveys of the Government of India and other sources. Certain financial and statistical figures have been rounded to the nearest tenth of a decimal place.

CERTAIN DEFINITIONS

In this Offering Memorandum, unless otherwise specified or the context requires, references to the "**Bank**" are to State Bank of India on a standalone basis, and references to the "**Group**" are to the State Bank of India and its consolidated subsidiaries (as defined under "*Business — Subsidiaries* *and Joint Ventures in India — Non-Bank Subsidiaries and Joint Ventures*") and other consolidated entities. References to specific data applicable to particular subsidiaries or other consolidated entities are made by reference to the name of that particular entity. References to "fiscal year" are to the respective year ended March 31 as follows:

- "fiscal year 2018" is the twelve-month period ended March 31, 2018;
- "fiscal year 2017" is the twelve-month period ended March 31, 2017; and
- "fiscal year 2016" is the twelve-month period ended March 31, 2016.

All references in this document to "U.S. dollars," "U.S.$" and "$" refer to United States dollars, and "Rupees" and "Rs." refer to Indian Rupees. In addition, references to "euro" and "€" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended. All references in this document to the "Government" and "Central Government" refer to the Government of India.

Except as otherwise stated in this Offering Memorandum, all translations from Indian Rs. to U.S. dollars as of and for the six months ended September 30, 2018 are based on the reference exchange rate published by the Financial Benchmarks India Pvt. Ltd. (**"FBIL"**), which is a widely followed benchmark of foreign exchange rates in India, for Friday, September 28, 2018, which is Rs. 72.55 per U.S.$1.00. No representation is made that the Indian Rupee amounts have been, could have been or could be converted into U.S. dollars at such a rate or any other rate. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

References to "crores" and "lakhs" in the Bank's and the Group's financial statements are to the following:

One lakh	100,000	(one hundred thousand)
One crore	10,000,000	(ten million)
Ten crores	100,000,000	(one hundred million)
One hundred crores	1,000,000,000	(one billion)

Unless stated otherwise, references to the "Conditions" or the "Terms and Conditions of the Notes" shall be to the Terms and Conditions of the 2022 Notes and/or the Terms and Conditions of the 2024 Notes, as applicable.

FORWARD-LOOKING STATEMENTS

The Bank has included statements in this Offering Memorandum which contain words or phrases such as "will," "would," "aim," "aimed," "will likely result," "is likely," "are likely," "believe," "expect," "expected to," "will continue," "will achieve," "anticipate," "estimate," "estimating," "intend," "plan," "contemplate," "seek to," "seeking to," "trying to," "target," "propose to," "future," "objective," "goal," "project," "should," "can," "could," "may," "will pursue," "our judgment" and similar expressions or variations of such expressions, that are "forward-looking statements." Actual results may differ materially from those suggested by the forward-looking statements due to certain risks or uncertainties associated with the Bank's expectations with respect to, but not limited to, the actual growth in demand for banking and other financial products and services, its ability to successfully implement its strategy, including its use of the internet and other technology and its rural expansion, its ability to integrate recent or future mergers or acquisitions into its operations, its ability to manage the increased complexity of the risks the Bank faces following its rapid international growth, future levels of impaired loans, its growth and expansion in domestic and overseas markets, the adequacy of its allowance for credit and investment losses, technological changes, investment income, its ability to market new products, cash flow projections, the outcome of any legal, tax or regulatory proceedings in India and in other jurisdictions the Bank is or will become a party to, the future impact of new accounting standards, its ability to implement its dividend policy, the impact of changes in banking regulations and other regulatory changes in India and other jurisdictions on the Bank, its ability to roll over its short-term funding sources and its exposure to credit, market and liquidity risks. By their nature, certain of the market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains, losses or impact on net interest income and net income could differ materially from those that have been estimated.

In addition, other factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this Offering Memorandum include, but are not limited to, the monetary and interest rate policies of India and the other markets in which the Bank operates, natural calamities, general economic, financial or political conditions, instability or uncertainty in India, southeast Asia, or any other country which have a direct or indirect impact on its business activities or investments, caused by any factor including terrorist attacks in India, the United States or elsewhere, anti-terrorist or other attacks by the United States, a United States-led coalition or any other country, tensions between India and Pakistan related to the Kashmir region, military armament or social unrest in any part of India, inflation, deflation, unanticipated turbulence in interest rates, changes or volatility in the value of the Rupee, instability in the credit market and liquidity levels in the U.S., foreign exchange rates, equity prices or other market rates or prices, the performance of the financial markets in general, changes in domestic and foreign laws, regulations and taxes, changes in the competitive and pricing environment in India, and general or regional changes in asset valuations. For a further discussion on the factors that could cause actual results to differ, see the discussion under "*Risk Factors*" included elsewhere in this Offering Memorandum. The forward-looking statements made in this Offering Memorandum speak only as of the date of this Offering Memorandum. The Bank does not intend to publicly update or revise these forward-looking statements to reflect events or circumstances after the date of this Offering Memorandum, and the Bank does not assume any responsibility to do so.

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SUMMARY

You should read the following summary together with the risk factors and the more detailed information about the Bank and its financial results included elsewhere in this Offering Memorandum.

Overview

The Bank is India's largest bank, with 22,311 branches in India, 209 international offices in 35 countries and more than 429 million customer accounts as of September 30, 2018. The Group had deposits, advances and a total assets base of Rs. 28,391.2 billion, Rs. 19,949.7 billion and Rs. 36,701.8 billion, respectively, as of September 30, 2018 and of Rs. 27,221.8 billion, Rs. 19,601.2 billion and Rs. 36,164.3 billion, respectively, as of March 31, 2018, the largest by each measure among banking institutions in India. As of September 30, 2017 and 2018, the Bank's market share of aggregate deposits was 23.2% and 22.3%, respectively, and the Bank's market share of domestic advances was 20.0% and 19.6%, respectively, among all RBI-scheduled commercial banks in India, based on the RBI data.

The Government of India is the majority shareholder of the Bank, owning 57.7% of the Bank's issued shares as at September 30, 2018. The Bank's shares are listed on the Bombay Stock Exchange ("**BSE**") and the National Stock Exchange of India ("**NSE**") and its global depositary receipts are listed on the London Stock Exchange. As of December 31, 2018, the Bank had a market capitalization of approximately Rs. 2,640.8 billion.

The Bank organizes its client relationships, marketing and product development, as well as non-customer facing activities, through its principal business groups.

The range of products and services offered by the Bank includes loans, advances and deposits (both retail and wholesale), foreign exchange and derivatives products, retail lending and deposits, fee- and commission-based products and services, as well as alternative payment products. The Bank is also present, through its subsidiaries and joint ventures, in diverse segments of the Indian financial sector, including asset management, investment banking, factoring and commercial services, treasury operations, credit cards, payment services, life insurance and general insurance. See "*— Subsidiaries and Joint Ventures in India — Non-Bank Subsidiaries and Joint Ventures.*"

The Group comprises both banking and non-banking operations. Banking operations are the largest part of the Group in terms of total assets and net profit, representing 95.0% of the Group's total assets as of September 30, 2018. The Group also conducts operations outside India, both through branches operated by the Bank's International Banking Group and through subsidiaries, associates, joint ventures and investments outside India.

For fiscal year 2018, the Group's net loss amounted to Rs. 45.6 billion, a decrease of Rs. 48.0 billion from a profit of Rs. 2.4 billion for fiscal year 2017, which in turn was a decrease of Rs. 119.8 billion, or 98.0%, from Rs. 122.3 billion for fiscal year 2016. For the six months ended September 30, 2018, the Group's net loss amounted to Rs. 36.5 billion.

The Bank did not pay dividends for the year ended March 31, 2018. The Bank paid a dividend of Rs. 24.2 billion and Rs. 23.5 billion for the years ended March 31, 2017 and 2016, respectively.

Competitive Strengths

The following core competitive strengths have historically contributed to the Bank's success and record of growth and the Bank believes that these strengths will continue to do so in the future:

Relationship with the Government, state governments and state-owned enterprises

As of the date of this Offering Memorandum, the Government owns 57.7% of the Bank. Historically, the Bank has enjoyed support from the Government including capital injections and preferential access to Government business. The Bank believes its strong relationships with both the Government and state governments are key factors driving asset growth and providing a stable source of business. The Government generates significant business activity in the economy.

In many instances, the Bank acts as the sole agent for certain Government transactions. The Bank acts as the RBI's agent for certain banking businesses of the Government and state governments. The Bank also handles payment functions of the Government through its branches, including salary and pension payments and expenditure payments of various ministries. The Bank believes that this relationship with the Government is instrumental in attracting new customers. In addition, the Bank handles a significant portion of the banking requirements for India's public sector enterprises ("**PSEs**"), including administering payments and loans to employees and offering life insurance and pension plans. SBI Pension Fund is one of a select few entities in India with a mandate from the Pension Fund Regulatory and Development Authority to hold pension funds for the benefit of Government employees.

Well-known brand with the largest branch and ATM network in India and extensive portfolio of products and services

With over 63 years of operations in India, the Bank believes that it has the country's best known banking brand. The Bank is India's largest bank, with 22,311 branches in India, 209 international offices in 35 countries and more than 429 million customer accounts as of September 30, 2018. The Bank also has the largest ATM network in India with 51,808 ATMs as of September 30, 2018. The Bank also had deposits, advances and a total assets base of Rs. 28,391.2 billion, Rs. 19,949.7 billion and Rs. 36,701.8 billion, respectively, as of September 30, 2018, which was the largest by each measure among banking institutions in India. As a result of its unparalleled position in India, the Bank has a leading market position in several of its business segments, including deposits and advances, foreign exchange trading, loan funding (education loans, home loans and auto-loans), credit cards and payment services. The Bank believes it is India's leading provider of education loans, home loans and car loans.

The Bank continues to enhance its brand by making significant investments in the products and services it offers to its customers in and outside of India through a process of regular review of the Bank's operations and processes with a view to updating the Bank's technology, accommodating customer preferences and adjusting to market demands.

Strong deposit base providing stable and low-cost funding

The Bank believes that its large distribution network enables it to provide convenient services to a broad customer base across India.

Regularly enhanced risk management and internal control functions

The Bank regularly strengthens its risk management and internal control capabilities by improving its policies and procedures and introducing advanced risk management tools, including IT-enabled credit risk modeling, industry studies, risk analytics, value-at-risk limitation, risk mitigation and validation procedures.

The Bank has maintained adequate capital reserves in accordance with Basel II since March 31, 2008 and has also maintained Basel III compliant measures since April 1, 2013. The Bank has implemented new credit risk assessment models, independent validation of internal ratings and new IT applications to improve the quality of loan data. The Bank conducts regular stress tests which are forward-looking economic assessments of the Bank's financial health, based on a number of economic scenarios and will take remedial measures, if necessary, depending on the outcome of the tests. The Bank also has a limitation framework in place for its trading and investment portfolio, including monitoring and reporting procedures.

Strong financial performance and stable capital position

The Bank has been able to maintain its strong financial performance as reflected in its performance ratios, such as a net interest margin of 2.73% and 2.50% for the six months ended September 30, 2018 and for fiscal year 2018, respectively. The Bank's financial strength is also reflected in its ability to diversify its revenue streams from its non-banking businesses.

Experienced management team

The Bank has an experienced management team staffed with a significant concentration of career banking professionals. The Bank's central management committee members have on average more than 30 years of banking and financial experience. The rest of the senior management team has expertise in key areas, including retail, corporate and international banking.

Strategy

The Bank's strategy is to enhance its position as the largest and leading provider of banking and other financial services in India, while remaining focused on its profitability. The Bank plans to execute this strategy in the following ways:

Continue expansion of the Bank's distribution network and banking products

The Bank intends to increase revenues generated from its banking business by expanding its distribution network, growing its customer base and diversifying its banking product mix. The Bank intends to use its strong financial position to take advantage of increasing growth opportunities within and outside of India.

Attract and develop talented and experienced professionals

The Bank plans to recruit, retain, motivate and develop talented and experienced professionals in a number of ways, including providing extensive on-the-job and classroom training, offering a variety of placement choices, including overseas posts and offering expeditious promotion opportunities to high-potential candidates as part of the Bank's growth plan and business needs.

Focus on asset quality and reduction in non-performing assets ("NPA levels")

The Bank aims to increase its focus on asset quality and reduce the NPA levels of the Bank. The Bank has recently put in place administrative structures to enable more effective follow-up and resolution of impaired assets. The Bank plans to adhere to a system of specific account by account solution for the resolution of NPAs.

THE OFFERING — NOTES

The following is a summary of some of the terms of the Notes. For a more complete description of the terms of the Notes, see "Terms and Conditions of the 2022 Notes" and "Terms and Conditions of the 2024 Notes." Terms defined in "Terms and Conditions of the 2022 Notes" and "Terms and Conditions of the 2024 Notes" shall have the same meanings in this summary. Unless stated otherwise, references to the "Conditions" or the "Terms and Conditions of the Notes" shall be to the Terms and Conditions of the 2022 Notes and/or the Terms and Conditions of the 2024 Notes, as applicable.

Issuer	State Bank of India, acting through its London Branch.
Legal Entity Identifier	5493001JZ37UBBZF6L49.
The Notes	U.S.$400,000,000 aggregate principal amount of 4.00% Notes due 2022 (the "**2022 Notes**") and U.S.$850,000,000 aggregate principal amount of 4.375% Notes due 2024 (the "**2024 Notes**" and together with the 2022 Notes, the "**Notes**").
Issue Date	January 24, 2019.
Issue Price	The issue price of the 2022 Notes will be 99.684% of the principal amount of the 2022 Notes and the issue price of the 2024 Notes will be 99.880% of the principal amount of the 2024 Notes.
Maturity	Unless previously purchased and cancelled or redeemed, the 2022 Notes will be redeemed on January 24, 2022 at 100.0% of their principal amount in U.S. dollars plus any accrued and unpaid interest. Unless previously purchased and cancelled or redeemed, the 2024 Notes will be redeemed on January 24, 2024 at 100.0% of their principal amount in U.S. dollars plus any accrued and unpaid interest.
Interest	The 2022 Notes will bear interest from and including January 24, 2019, at the rate of 4.00% per annum payable semi-annually in arrear on January 24 and July 24 of each year up to, and excluding the maturity date, January 24, 2022, with the first interest payment to be made on July 24, 2019. The 2024 Notes will bear interest from and including January 24, 2019, at the rate of 4.375% per annum payable semi-annually in arrear on January 24 and July 24 of each year up to, and excluding the maturity date, January 24, 2024, with the first interest payment to be made on July 24, 2019.
Ranking	The Notes will be the direct, unconditional, unsubordinated and subject to the provisions of the negative pledge unsecured obligations of the Bank and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations) of the Bank.

Negative Pledge	The Notes will contain a negative pledge provision restricting the Bank from creating any mortgage, charge, pledge, hypothecation, lien, encumbrance or other security interest securing any obligation of any person or any other agreement or arrangement having the effect of conferring security upon the whole or any part of its properties, assets or revenues to secure any obligations, including guarantees, of the Bank in respect of bonds, debentures, notes or other debt securities which are payable in a currency other than Indian Rupees and which are quoted, listed or ordinarily dealt in on any stock exchange or other over-the-counter or other securities market outside India. See "*Terms and Conditions of the Notes — Negative Pledge*."
Events of Default	The Notes will be subject to certain events of default, including the failure by the Bank to pay principal or interest due in respect of the Notes where such default continues for a period of seven days in the case of principal and 14 days in the case of interest and acceleration of certain other indebtedness. See "*Terms and Conditions of the Notes — Events of Default*."
Withholding Tax	All payments of principal and interest in respect of the Notes will be made without withholding or deduction for or on account of any present or future taxes, assessments or other governmental charges or duties of whatever nature imposed or levied by or on behalf of India or the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In such event, the Bank will (except in certain circumstances as set out in the Terms and Conditions of the Notes) pay such amounts as shall be necessary in order that the net amounts received by the Noteholders after such withholding or deduction shall equal the respective amount of principal or interest which otherwise would have been receivable in respect of the Notes in the absence of such withholding or deduction. See "*Terms and Conditions of the Notes — Taxation*" and "*Taxation*."
Optional Tax Redemption	The Notes may be redeemed at the option of the Bank, in whole but not in part, at 100% of the principal amount thereof plus accrued and unpaid interest, in certain circumstances in which the Bank would become obligated to pay additional amounts as provided for in the Terms and Conditions of the Notes. See "*Terms and Conditions of the Notes — Redemption and Purchase — Redemption for tax reasons*."
Further Issues	The Bank may, from time to time, without the consent of the holders of the Notes, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes. See "*Terms and Conditions of the Notes — Further Issues*."

Redemption Upon a Change of Control	Upon a Change of Control (as defined in the Terms and Conditions of the Notes), each holder of a Note will have the right to require the Bank to redeem in whole but not in part such holder's Notes at 101% of the principal amount thereof plus accrued and unpaid interest. See "*Terms and Conditions of the Notes — Redemption for Change of Control*."
Listing and Trading	An application will be made in respect of the listing and quotation of the Notes on the SGX-ST. The Notes will be traded on the SGX-ST in a minimum board lot size of U.S.$200,000 for so long as the Notes are listed on the SGX-ST. An application has been made for the listing of the Notes on the INX.
Form, Denomination and Registration of Notes	The 2022 Notes and the 2024 Notes which are offered and sold only to, or for the account or benefit of non-U.S persons (as defined in Regulation S) outside the United States in reliance on Regulation S will each be represented by interests in a global registered note certificate (the "**Regulation S Global Note Certificate**"), deposited with a custodian for and registered in the name of a nominee of DTC for the accounts of Euroclear and Clearstream, Luxembourg on or about the Issue Date. The 2022 Notes and the 2024 Notes which are offered and sold in the United States in reliance on Rule 144A will each be represented by interests in a global registered note certificate (the "**Rule 144A Global Note Certificate**" and, together with the Regulation S Global Note Certificate, the "**Global Note Certificates**"), deposited with a custodian for and registered in the name of a nominee of DTC on or about the Issue Date. Interests in the Global Note Certificates will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants, including depositaries for Euroclear and Clearstream, Luxembourg. The Notes offered and sold in reliance on Regulation S will be issued in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. The Notes offered and sold in reliance on Rule 144A will be issued in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. Individual note certificates ("**Individual Note Certificates**") evidencing holdings of Notes will only be available in certain limited circumstances.
Use of Proceeds	The net proceeds from the sale of the Notes will be used by the Bank for general corporate purposes in accordance with applicable law.

Ratings	The Notes are rated "Baa2" by Moody's, "BBB-" by S&P and "BBB-" by Fitch. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization.
Delivery of the Notes	Delivery of the Notes, against payment in same-day funds, is expected on or about January 24, 2019.
Governing Law.	The Notes and the Agency Agreement are governed by and will be construed in accordance with English law.
Fiscal Agent	Citicorp International Limited.
Paying Agent and Transfer Agent.	Citibank, N.A., London Branch.
Registrar.	Citigroup Global Markets Europe AG.

Security Codes

	The Notes	
	Rule 144A	**Regulation S**
The 2022 Notes ISIN	US85628UAH95	USY81647AD41
The 2022 Notes CUSIP	85628U AH9	Y81647 AD4
The 2024 Notes ISIN	US85628UAJ51	USY81647AE24
The 2024 Notes CUSIP	85628U AJ5	Y81647 AE2

SUMMARY OF FINANCIAL AND OPERATING DATA

The Bank's and the Group's financial and other data for fiscal years 2016, 2017 and 2018 and for the six months ended September 30, 2017 and 2018 included in this Offering Memorandum have been derived from the Bank's and the Group's financial statements, respectively, each prepared in accordance with generally accepted accounting principles in India, or Indian GAAP, guidelines issued by the RBI from time to time and practices generally prevailing in the banking industry in India.

The financial statements of the Bank are prepared in accordance with Indian GAAP according to which the financial statements contain figures for two years (current year and previous year) for the purpose of comparison.

In accordance with the orders of the Government of India, the Bank merged with five of its associate banks with effect from April 1, 2017. These banks are State Bank of Bikaner and Jaipur, State Bank of Mysore, State Bank of Travancore, State Bank of Hyderabad and State Bank of Patiala. Prior to fiscal year 2018, the Bank accounted for its share of the assets, liabilities and operating results of these associate banks under the equity method. Accordingly, it recorded the value of its equity interests in the associate banks as an asset on its consolidated balance sheet at cost (subject to subsequent adjustments for profits and losses) and recorded its proportionate share of the profits and losses in its consolidated profit and loss account. From April 1, 2017, the Bank accounted for the merged associate banks as one entity as the Bank. The Bank or the Group did not restate its financial statements for prior periods in order to reflect the assets, liabilities and results of the merged associate banks on a consistent basis. As a result, the Bank's or the Group's financial statements for fiscal year 2017 and fiscal year 2016 are not completely comparable with subsequent periods.

Potential investors should read the following data together with the more detailed information contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Selected Statistical Information," and the financial statements and related notes included elsewhere in this Offering Memorandum. The following data is qualified in its entirety by reference to all such information.

Operating Results

Profit and Loss Statement of the Group

The operating results of the Group for fiscal years 2016, 2017 and 2018 are presented in the table below:

	Year ended March 31, 2016	Year ended March 31, 2017	Year ended March 31, 2018	Year ended March 31, 2018[1]
		(Rs. in billion)		(U.S.$ in billion)
I. INCOME				
Interest earned	2,206.3	2,304.5	2,289.7	31.5
Other Income	528.3	681.9	775.6	10.6
TOTAL	2,734.6	2,986.4	3,065.3	42.2
II. EXPENDITURE				
Interest expended	1,430.5	1,491.1	1,466.0	20.2
Operating expenses	743.1	872.9	961.5	13.2
Provisions and contingencies	433.6	626.3	679.6	9.3
TOTAL	2,607.2	2,990.3	3,107.1	42.8
III. PROFIT/LOSS				
Net Profit/(Loss) for the year (before adjustment for Share in Profit of Associates and Minority Interest)	127.4	(3.9)	(41.9)	(0.5)
Add: Share in Profit of Associates	2.8	2.9	4.4	0.0
Less: Minority Interest	7.9	(3.4)	8.1	0.1
Net Profit/(Loss) for the Bank	122.2	2.4	(45.6)	(0.6)
Profit Brought forward	26.2	32.8	(43.4)	(0.5)
TOTAL	148.4	35.2	(89.0)	(1.2)
APPROPRIATIONS				
Transfer to Statutory Reserves	37.1	32.5	0.6	(0.0)
Transfer to Other Reserves	53.9	21.1	9.2	(0.1)
Dividend for the previous year paid during the year (including Tax on Dividend)	0.0	—	—	—
Final Dividend for the year	20.2	21.1	—	—
Tax on Dividend	4.4	3.9	0.6	(0.0)
Balance carried over to Balance Sheet	32.8	(43.4)	(99.4)	(1.3)
TOTAL	148.4	35.2	(89.0)	(1.2)
Basic Earnings per Share	0.0	0.0	(0.0)	0.0
Diluted Earnings per Share	0.0	0.0	(0.0)	0.0

Note:

(1) For the reader's convenience, U.S. dollar translations of Indian Rupee amounts have been provided based on the FBIL reference exchange rate of U.S.$1.00 = Rs. 72.55 as of September 28, 2018.

The unaudited limited reviewed operating results of the Group for the six months ended September 30, 2017 and 2018 are presented in the table below:

		Six months ended September 30, 2017	Six months ended September 30, 2018	Six months ended September 30, 2018[1]
		(Rs. in billion)		(U.S.$ in billion)
1.	Interest Earned (a) + (b) + (c) + (d)	1,137.5	1,226.3	16.9
	a) Interest/discount on advances/bills	736.6	793.9	10.9
	b) Income on Investments	361.1	404.4	5.6
	c) Interest on balances with RBI and other interbank funds	17.9	5.4	0.1
	d) Others	21.8	22.6	0.3
2.	Other Income	319.8	316.7	4.4
3.	**TOTAL INCOME (1+2)**	**1,457.3**	**1,543.0**	**21.3**
4.	Interest Expended	739.7	755.4	10.4
5.	Operating Expenses (i) + (ii)	426.2	515.7	7.1
	i) Employee Cost	164.4	206.9	2.9
	ii) Other Operating Expenses	261.8	308.7	4.3
6.	**TOTAL EXPENDITURE (4) + (5) (excluding provisions and contingencies)**	**1,165.9**	**1,271.1**	**17.5**
7.	**OPERATING PROFIT (3 — 6) (Profit before provisions and contingencies)**	291.3	271.9	3.7
8.	Provisions (Other than tax) and contingencies (net of write-back)	283.8	317.7	4.4
	— of which provisions for Non-performing assets	290.7	236.0	3.3
9.	Exceptional Items	50.4	4.7	0.1
10.	Profit/(Loss) from Ordinary Activities before tax (7-8+9)	57.8	(41.1)	(0.6)
11.	Tax Expense	7.3	(8.1)	(0.1)
12.	**Net Profit/(Loss) from Ordinary Activities after tax (10-11)**	**50.6**	**(33.0)**	**(0.5)**
13.	Extraordinary Items (net of tax expenses)	—	—	—
14.	**Net Profit for the period (12 + 13)**	**50.6**	**(33.0)**	**(0.5)**
15.	Share in profit of Associates	1.9	1.5	0.0
16.	Share of Minority	3.8	5.0	0.1
17.	**Net Profit/(Loss) for the Group (14 + 15 - 16**	**48.7**	**(36.5)**	**(0.5)**
18.	Earnings per share of Rs. 1/- each (basic and diluted, not annualized) — in rupees	5.8	(4.1)	(0.1)

Note:

(1) For the reader's convenience, U.S. dollar translations of Indian Rupee amounts have been provided based on the FBIL reference exchange rate of U.S.$1.00 = Rs. 72.55 as of September 28, 2018.

Profit and Loss Statement of the Bank

The operating results of the Bank for fiscal years 2016, 2017 and 2018 are presented in the table below:

	Year ended March 31, 2016	Year ended March 31, 2017	Year ended March 31, 2018	Year ended March 31, 2018[1]
		(Rs. in billion)		(U.S.$ in billion)
I. INCOME				
Interest earned	1,640.0	1,755.2	2,205.0	30.4
Other Income	278.5	354.6	446.0	6.1
TOTAL	1,918.4	2,109.8	2,651.0	36.5
II. EXPENDITURE				
Interest expended	1,068.0	1,136.6	1,456.5	20.1
Operating expenses	417.8	464.7	599.4	8.3
Provisions and contingencies	333.1	403.6	660.6	9.1
TOTAL	1,818.9	2,005.0	2,716.5	37.4
III. PROFIT				
Net Profit/(Loss) for the year	99.5	104.8	(65.5)	(0.9)
Add: Profit brought forward	0.0	0.0	0.0	—
Loss of eABs & BMB on amalgamation	—	—	(64.1)	(0.9)
TOTAL	99.5	104.8	(129.5)	(1.8)
IV. APPROPRIATIONS				
Transfer to Statutory Reserve	29.9	31.5	—	—
Transfer to Capital Reserves	3.5	14.9	32.9	0.5
Transfer to Revenue and Other Reserves	42.7	34.3	(11.7)	(0.2)
Dividend for the current year	20.2	21.1	—	—
Tax on Dividend for the current year	3.3	3.1	—	—
Balance carried over to Balance Sheet	0.0	0.0	(150.8)	(2.1)
TOTAL	99.5	104.8	(129.5)	(1.8)
Basic Earnings per Share	0.0	0.0	0.0	0.0
Diluted Earnings per Share	0.0	0.0	0.0	0.0

Note:

(1) For the reader's convenience, U.S. dollar translations of Indian Rupee amounts have been provided based on the FBIL reference exchange rate of U.S.$1.00 = Rs. 72.55 as of September 28, 2018.

The unaudited limited reviewed operating results of the Bank for the six months ended September 30, 2017 and 2018 are presented in the table below:

		Six months ended September 30, 2017	Six months ended September 30, 2018	Six months ended September 30, 2018(1)
		(Rs. in billion)		(U.S.$ in billion)
1.	Interest Earned (a) + (b) + (c) + (d)	548.5	587.9	8.1
	a) Interest/discount on advances/bills	358.0	383.3	5.3
	b) Income on Investments	173.1	190.8	2.6
	c) Interest on balances with RBI and other interbank funds	7.7	2.3	—
	d) Others	9.6	11.6	0.2
2.	Other Income	105.8	78.1	1.1
3.	**TOTAL INCOME (1+2)**	**654.3**	**666.1**	**9.2**
4.	Interest Expended	362.6	378.9	5.2
5.	Operating Expenses (e) + (f)	146.0	163.8	2.3
	e) Employee Cost	77.0	97.0	1.3
	f) Other Operating Expenses	69.0	66.8	0.9
6.	**TOTAL EXPENDITURE (4) + (5) (excluding provisions and contingencies)**	**508.7**	**542.6**	**7.5**
7.	**OPERATING PROFIT (3 — 6) (Profit before provisions and contingencies)**	145.6	123.4	1.7
8.	Provisions (Other than tax) and contingencies (net of write-back)	191.4	120.9	1.7
	— of which provisions for Non-performing assets included above	167.2	101.8	1.4
9.	Exceptional Items	54.4	15.6	0.2
10.	Profit/(Loss) from Ordinary Activities before tax (7-8+9)	8.6	18.1	0.2
11.	Tax Expense	(7.2)	8.7	0.1
12.	**Net Profit/(Loss) from Ordinary Activities after tax (10-11)**	**15.8**	**9.4**	**0.1**
13.	Extraordinary Items (net of tax expenses)	—	—	—
14.	**Net Profit for the period (12 + 13)**	**15.8**	**9.4**	**0.1**
15.	Share in profit of Associates	—	—	—
16.	Share of Minority	—	—	—
17.	**Net Profit/(Loss) after Minority Interest (14 + 15 - 16)**	**15.8**	**9.4**	**0.1**
18.	Earnings per share (EPS) (in Rupees)			
	(a) Basic and diluted EPS before Extraordinary items (net of tax expense) (Quarter/half year numbers not annualised)	1.83	1.06	—
	(b) Basic and and diluted EPS after Extraordinary items (net of tax expense) (Quarter/half year numbers not annualised)	1.83	1.06	—

Note:

(1) For the reader's convenience, U.S. dollar translations of Indian Rupee amounts have been provided based on the FBIL reference exchange rate of U.S.$1.00 = Rs. 72.55 as of September 28, 2018.

Balance Sheet

The balance sheet of the Group as of March 31, 2016, 2017 and 2018 and September 30, 2018 are presented in the table below:

	As of March 31, 2016	As of March 31, 2017	As of March 31, 2018	As of September 30, 2018	As of September 30, 2018[1]
			(Rs. in billion)		(U.S.$ in billion)
CAPITAL AND LIABILITIES					
Capital	7.8	8.0	8.9	8.9	0.1
Reserves and Surplus	1,798.2	2,163.9	2,294.3	2,286.7	31.5
Minority Interest	62.7	64.8	46.2	52.7	0.7
Deposits	22,538.6	25,998.1	27,221.8	28,391.2	391.3
Borrowings	3,614.0	3,363.7	3,690.8	3,398.1	46.8
Other Liabilities and Provisions	2,713.7	2,852.7	2,902.4	2,564.2	35.3
TOTAL	30,734.8	34,451.2	36,164.3	36,701.8	505.9
ASSETS					
Cash and Balances with Reserve Bank of India	1,604.2	1,610.2	1,507.7	1,302.2	18.0
Balance with Banks and Money at Call and Short Notice	441.3	1,121.8	445.2	452.7	6.2
Investments	8,073.7	10,272.8	11,837.9	12,188.5	168.0
Advances	18,702.6	18,968.9	19,601.2	19,949.7	275.0
Fixed Assets	152.6	509.4	412.3	409.9	5.6
Other Assets	1,760.3	1,968.2	2,360.1	2,398.8	33.1
TOTAL	30,734.8	34,451.2	36,164.3	36,701.8	505.9

Note:

(1) For the reader's convenience, U.S. dollar translations of Indian Rupee amounts have been provided based on the FBIL reference exchange rate of U.S.$1.00 = Rs. 72.55 as of September 28, 2018.

The balance sheet of the Bank as of March 31, 2016, 2017 and 2018 and September 30, 2018 are presented in the table below:

	As of March 31, 2016	As of March 31, 2017	As of March 31, 2018	As of September 30, 2018	As of September 30, 2018[1]
			(Rs. in billion)		(U.S.$ in billion)
CAPITAL AND LIABILITIES					
Capital	7.8	8.0	8.9	8.9	0.1
Reserves & Surplus	1,435.0	1,874.9	2,182.4	2,171.1	29.9
Deposits	17,307.2	20,447.5	27,063.4	28,074.2	387.0
Borrowings	3,233.4	3,176.9	3,621.4	3,347.0	46.1
Other Liabilities and Provisions	1,592.8	1,552.4	1,671.4	1,254.5	17.3
TOTAL	23,576.2	27,059.7	34,547.5	34,855.7	480.4
ASSETS					
Cash and Balances with Reserve Bank of India	1,296.3	1,280.0	1,504.0	1,299.6	17.9
Balances with Banks and money at call and short notice	378.4	439.7	415.0	431.6	5.9
Investments	5,756.5	7,659.9	10,609.9	10,826.1	149.2
Advances	14,637.0	15,710.8	19,348.8	19,573.4	269.8
Fixed Assets	103.9	429.2	399.9	395.1	5.4
Other Assets	1,404.1	1,540.1	2,269.9	2,329.8	32.1
TOTAL	23,576.2	27,059.7	34,547.5	34,855.7	480.4

Note:

(1) For the reader's convenience, U.S. dollar translations of Indian Rupee amounts have been provided based on the FBIL reference exchange rate of U.S.$1.00 = Rs. 72.55 as of September 28, 2018.

Average Balance Sheet of the Bank

The tables below present the Bank's average balances for interest-earning assets and interest-bearing liabilities together with the related interest revenue and expense amounts, resulting in the presentation of the average yields and cost for each period. The average balance is the average of quarterly balances outstanding. The average yield on average assets is the ratio of interest revenue to average interest-earning assets (except that investments include equity investments and interest revenue with respect to investments includes dividends on such equity investments). The average cost on average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities.

	2016			2017			2018		
	Average Balance	Interest Income/ Expense	Avg. Yield/ Cost (%)	Average Balance	Interest Income/ Expense	Avg. Yield/ Cost (%)	Average Balance	Interest Income/ Expense	Avg. Yield/ Cost (%)
				(Rs. in millions, except percentages)					
Interest-earning assets:									
Advances	13,680,596.3	1,156,660.1	8.5%	14,672,354.8	1,195,100.0	8.2%	18,419,799.8	1,413,631.7	7.7%
Investments	5,764,822.1	423,039.8	7.3%	7,096,003.1	482,053.1	6.8%	10,191,185.9	703,376.2	6.9%
Others	783,076.9	60,283.1	7.7%	1,026,064.4	78,029.3	7.6%	1,370,126.1	87,985.3	6.4%
Total interest-earning assets	20,228,495.3	1,639,983.0	8.1%	22,794,422.3	1,755,182.4	7.7%	29,981,111.9	2,204,993.2	7.4%
Non-interest earning assets:									
Fixed assets	97,584.4	—	—	427,246.3	—	—	450,951.2	—	—
Other assets	1,482,870.4	—	—	1,657,286.0	—	—	2,415,473.4	—	—
Total non-interest earning assets	1,580,454.8	—	—	2,084,532.3	—	—	2,866,424.6	—	—
Total assets	21,808,950.1	1,639,983.0	7.5%	24,878,954.6	1,755,182.4	7.1%	32,847,536.4	2,204,993.2	6.7%
Interest-bearing liabilities:									
Total deposits	16,624,494.8	988,649.9	6.0%	19,317,248.4	1,055,987.5	5.5%	26,458,242.2	1,357,257.0	5.1%
Subordinated loan	424,847.5	37,228.0	8.8%	417,250.9	41,952.4	10.1%	486,726.5	44,720.4	9.2%
Borrowings	2,153,401.2	41,543.0	1.9%	2,166,109.4	38,374.7	1.8%	2,279,383.1	53,124.3	2.3%
Total interest-bearing liabilities	19,202,743.4	1,067,420.9	5.6%	21,900,608.6	1,136,314.6	5.2%	29,224,351.9	1,455,101.8	5.0%
Non-interest bearing liabilities:									
Capital and reserves	1,430,884.0	—	—	1,828,490.8	—	—	2,240,958.8	—	—
Bills payable	156,974.4	—	—	190,030.9	—	—	209,122.1	—	—
Other liabilities	1,018,348.3	614.0	0.1%	959,824.3	270.5	0.0%	1,173,103.7	1,354.3	0.1%
Total non-interest bearing liabilities	2,606,206.7	614.0	0.0%	2,978,346.0	270.5	0.0%	3,623,184.6	1,354.3	0.0%
Total liabilities	21,808,950.1	1,068,034.9	4.9%	24,878,954.6	1,136,585.0	4.6%	32,847,536.4	1,456,456.0	4.4%

	Six months ended September 30,					
	2017			2018		
	Average Balance	Interest Income/ Expense	Avg. Yield/ Cost (%)	Average Balance	Interest Income/ Expense	Avg. Yield/ Cost (%)
	(Rs. in millions, except percentages)					
Interest-earning assets:						
Advances	18,034,139.3	719,429.2	8.0%	19,165,565.3	771,919.8	8.1%
Investments	9,875,187.5	339,124.2	6.9%	10,730,430.6	376,679.7	7.0%
Others	1,403,613.1	38,998.0	5.6%	1,467,733.7	27,467.1	3.7%
Total interest-earning assets	29,312,940.0	1,097,551.4	7.5%	31,363,729.6	1,176,066.6	7.5%
Non-interest earning assets:						
Fixed assets	502,697.1	—	—	397,979.9	—	—
Other assets	2,329,706.7	—	—	2,390,644.3	—	—
Total non-interest earning assets	2,832,403.8	—	—	2,788,624.2	—	—
Total assets	32,145,343.7	1,097,551.4	6.8%	34,152,353.8	1,176,066.6	6.9%
Interest-bearing liabilities:						
Total deposits	26,128,568.6	689,700.2	5.3%	27,776,166.6	691,921.1	5.0%
Subordinated loan	501,254.1	24,156.9	9.6%	418,758.4	19,599.8	9.4%
Borrowings	1,918,079.9	20,656.5	2.2%	2,567,181.3	36,347.6	2.8%
Total interest-bearing liabilities	28,547,902.6	734,513.6	5.2%	30,762,106.3	747,868.5	4.9%
Non-interest bearing liabilities:						
Capital and reserves	2,301,581.2	—	—	2,165,453.5	—	—
Bills payable.	192,964.1	—	—	193,674.3	—	—
Other liabilities	1,102,895.9	1,118.7	0.2%	1,031,119.7	1,157.6	0.2%
Total non-interest bearing liabilities	3,597,441.2	1,118.7	0.1%	3,390,247.5	1,157.6	0.1%
Total liabilities	32,145,343.7	735,632.3	4.6%	34,152,353.8	749,026.1	4.4%

Yields, Spreads and Margins

The following table sets forth, for the periods indicated, the yields, spreads and interest margins of the Bank's interest-earning assets.

	Year ended March 31,			Six months ended September 30,		
	2016	2017	2018	2017	2018	2018
	(Rs. in millions, except percentages)			(Rs. in millions, except percentages)		(US$ in millions)[1]
Interest income on interest-earning assets	1,639,983.0	1,755,182.4	2,204,993.2	1,097,551.4	1,176,066.6	16,210.4
Interest expense on interest-bearing liabilities	1,068,034.9	1,136,585.0	1,456,456.0	735,632.3	749,026.1	10,324.3
Average interest-earning assets	20,228,495.3	22,794,422.3	29,981,111.9	29,312,940.0	31,363,729.6	432,305.0
Average interest-bearing liabilities	19,202,743.4	21,900,608.6	29,224,351.9	28,547,902.6	30,762,106.3	424,012.5
Average total assets	21,808,950.1	24,878,954.6	32,847,536.4	32,145,343.7	34,152,353.8	470,742.3
Average interest-earning assets as a percentage of average total assets	92.8%	91.6%	91.3%	91.2%	91.8%	91.8%
Average interest-bearing liabilities as a percentage of average total assets	88.1%	88.0%	89.0%	88.8%	90.1%	90.1%
Average interest-earning assets as a percentage of average interest-bearing liabilities	105.3%	104.1%	102.6%	102.7%	102.0%	102.0%
Yield[2]	8.1%	7.7%	7.4%	7.5%	7.5%	7.5%
Cost of funds[3]	5.6%	5.2%	5.0%	5.2%	4.9%	4.9%
Spread	2.6%	2.5%	2.4%	2.3%	2.6%	2.6%
Net interest margin[4]	2.96	2.84	2.50	2.43	2.73	2.73

Note:

(1) For the reader's convenience, U.S. dollar translations of Indian Rupee amounts have been provided based on the FBIL reference exchange rate of U.S.$1.00 = Rs. 72.55 as of September 28, 2018.

(2) Yield is interest income divided by total quarterly average interest-earning assets.

(3) Cost of funds is interest expense divided by total quarterly interest-bearing liabilities.

(4) Net interest margin is the difference between interest earned and interest expended divided by the total weekly average interest-earning assets. Net interest margin calculated as the difference between interest earned and interest expended divided by the total quarterly average interest-earning assets was 2.96%, 2.84% and 2.50% for fiscal years 2016, 2017 and 2018, respectively.

Financial Ratios

The following table sets forth certain key financial indicators of the Bank as of and for the periods indicated.

	As of and for the year ended March 31,			As of and for the six months ended September 30,	
	2016	**2017**	**2018**	**2017**	**2018**
			(in percentages)		
Return on average equity[1]	7.31%	7.20%	(3.57)%	3.82%	(4.61)%
Return on average assets[2]	0.46%	0.42%	(0.20)%	0.22%	(0.23)%
Dividend payout ratio[3].	20.28%	20.11%	0%	0%	0%
Cost to average assets[4]	1.92%	1.87%	1.82%	1.76%	1.93%
Tier I capital adequacy ratio	9.92%	10.35%	10.36%	10.96%	10.36%
Tier II capital adequacy ratio. . . .	3.20%	2.76%	2.24%	2.60%	2.25%
Total capital adequacy ratio.	13.12%	13.11%	12.60%	13.56%	12.61%
Net non-performing assets ratio[5]	3.81%	3.71%	5.73%	5.43%	4.84%
Allowance as percentage of gross non-performing assets[6].	43.15%	48.13%	50.38%	47.40%	53.95%
Average net worth to total average assets[7].	6.24%	5.85%	5.58%	5.84%	5.00%
Credit to deposit ratio[8]	77.11%	69.32%	67.53%	63.88%	65.64%
Cost to income ratio[9].	49.13%	47.75%	50.18%	47.07%	55.96%
Other income to operating income ratio[10]	32.74%	36.44%	37.34%	39.89%	27.32%

Note:

(1) Return on average equity is the ratio of the net profit after tax to the quarterly average net worth (capital plus reserves).

(2) Return on average assets is the ratio of the net profit after tax to the quarterly average assets.

(3) Dividend payout ratio is the ratio of dividend to adjusted net profit (after exclusion of a one-off income item from net profit).

(4) Cost to average assets is the ratio of the operating expenses, excluding lease depreciation, to the quarterly average assets.

(5) Net non-performing assets ratio is the ratio of net non-performing assets divided by net advances.

(6) Allowance as a percentage of gross non-performing assets is the ratio of NPA provisions made to the gross NPAs.

(7) Average net worth to total average assets is the ratio of quarterly average capital and reserves divided by total quarterly average assets.

(8) Credit to deposit ratio is calculated as a ratio of total domestic advances excluding interbank advances to total domestic deposits excluding interbank deposits.

(9) Cost to income ratio is calculated as a ratio of operating expenses divided by total operating income (total of net interest income and non-interest income).

(10) Other income to operating income ratio is calculated as a ratio of other income divided by total operating income (total of net interest income and non-interest income).

This Offering Memorandum contains forward-looking statements that involve risks and uncertainties. Prospective investors should carefully consider the risks described below, together with the risks described in the other sections of this Offering Memorandum, including the financial statements included in this Offering Memorandum, before making any investment decision relating to the Notes. The occurrence of any of the following events could have a material adverse effect on the Bank's business, including its ability to grow its asset portfolio, the quality of its assets, its liquidity, its financial performance, its stockholders' equity, its ability to implement its strategy and its ability to repay the interest or principal on the Notes in a timely fashion or at all.

Risks relating to the Bank's Business

The Bank's business is particularly vulnerable to interest rate risk, and volatility in interest rates could adversely affect its net interest margin, the value of its fixed income portfolio, its income from treasury operations and its financial performance.

The Bank could be materially adversely impacted by a rise in generally prevailing interest rates on deposits, especially if the rise were sudden or sharp. If such a rise in interest rates were to occur, the Bank's net interest margin could be adversely affected because the interest paid by the Bank on its deposits could increase at a higher rate than the interest received by the Bank on its advances and other investments.

The requirement that the Bank maintains a portion of its assets in fixed income Government securities could also have a negative impact on its net interest income and net interest margin because the Bank typically earns interest on this portion of its assets at rates that are generally less favorable than those typically received on its other interest-earning assets.

The Bank is also exposed to interest rate risk through its treasury operations and through one of its subsidiaries, SBI DFHI Limited, which is a primary dealer in Government securities. A rise in interest rates or greater interest rate volatility could adversely affect the Bank's income from treasury operations or the value of its fixed income securities trading portfolio. Sharp and sustained increases in the rates of interest charged on floating rate home loans, which are a material proportion of its loan portfolio, would result in the extension of loan maturities and higher monthly installments due from borrowers, which could result in higher rates of default in this portfolio.

In each of June and August 2018, the RBI increased the policy repo rate (a key short-term interest rate at which the RBI lends to Indian banks) by 0.25%, reflecting growing inflationary pressures. These were the first increases in official interest rates since October 2013. Changes in official interest rates tend to flow through into changes in commercial interest rates, including rates for deposits and lending. However, the rates applying to the Bank's funding (including deposits) and its lending may not move at the same time and the same rate.

In the future, if the yield on the Bank's interest-earning assets does not increase at the same time or to the same extent as its cost of funds, or if its cost of funds does not decline at the same time or to the same extent as the yield on its interest-earning assets, its net interest income and net interest margin would be adversely impacted.

If the Bank fails to maintain desired levels of customer deposits or loans, its business operations may be materially and adversely affected.

Customer deposits are the Bank's primary source of funding. However, many factors affect the growth of deposits, some of which are beyond the Bank's control, such as economic and political conditions, availability of investment alternatives and retail customers who may change their perceptions toward savings. For example, retail customers may reduce their deposits and increase their investment in securities for higher returns, while small- and medium-sized enterprises ("**SMEs**") and mid-corporate customers may reduce their deposits in order to fund projects in a favorable economic environment. If the Bank fails to maintain its desired level of deposits, the Bank's liquidity position, financial condition and results of operations may be materially and adversely affected. In such a situation, the Bank may need to seek more expensive sources of funding. The Bank's ability to raise additional funds may be impaired by factors over which it has little or no control, such as poor market conditions or severe disruptions in the financial markets.

Conversely, the Bank may slowly reduce the interest rates it offers on deposits (if required) to protect the spread it enjoys if the Indian banking system is showing a lower rate of credit growth. Further, the Bank must devise certain strategies to lend surplus funds to existing or new borrowers in order to earn interest income and protect its net interest margin. If the Bank cannot secure sufficient loan volumes or earn sufficient interest on its lending due to economic conditions or other factors, its ability to earn income and maintain and increase its net interest margin may be materially adversely affected.

The Bank has a large portfolio of Government securities that may limit its ability to deploy funds into higher yielding investments.

As a result of Indian reserve requirements, the Bank is more structurally exposed to interest rate risk than banks in many other countries. Under RBI regulation, the Bank's liabilities are subject to the statutory liquidity ratio ("**SLR**") requirement, which requires that a minimum specified percentage of a bank's demand and term liabilities be invested in approved securities.

The SLR requirements are subject to increases by the RBI in order to curb inflation or absorb excess liquidity. The SLR has been reduced to 19.50% with effect from October 14, 2017. See "*Regulation and Supervision — Legal Reserve Requirements*." As of September 30, 2018, Government securities represented 83.8% of the Bank's domestic investment portfolio and comprised 31.8% of the Bank's demand and term liabilities. The Bank earns interest on such Government securities at rates which are less favorable than those which it typically receives in respect of its retail and corporate loan portfolio, which impacts the Bank's net interest income and net interest margin. In addition, the market and accounting value of such securities could be adversely affected by overall rising interest rates.

As of March 31, 2018, 43.8% of the Bank's Government securities portfolio, amounting to Rs. 4,493.5 billion was held under the "Held to Maturity" portfolio. Although many of these Government securities are short-term in nature, the market value of the Bank's holdings could decrease if interest rates increase. Under such a scenario, the Bank would face a choice to either liquidate its investments and realize a loss or hold the securities and possibly be required to recognize an accounting loss upon marking to market the value of such investments, either of which outcomes could adversely impact its results of operations.

A substantial portion of the Bank's income is derived from its Government operations, a slowdown in which could adversely affect the Bank's business.

The Government generates significant business activity in the economy. For fiscal year 2018, the Bank's total Government business turnover was Rs. 55,612.9 billion and the Bank earned commission from Government transactions of Rs. 30.5 billion, or 10.7% of the Bank's other (non-interest) income. For fiscal year 2018, the Bank's market share of Government business was 67.7% based on RBI data and includes such transactions as handling payment and receipts for both the Central and State Governments. The Bank has been able to retain its position as the market leader in this business segment. However, while the Bank has enjoyed a strong working relationship with the Government in the past, there is no assurance that this relationship will continue in the future. For example, on July 1, 2012, the RBI declared that all private sector banks would be eligible to handle Central and State Government business and would be considered on an equal basis with public sector banks. Prior to this declaration by the RBI, only public sector banks and three designated private banks could conduct Government business. Furthermore, in September 2018, the Government announced its plans to merge four public-sector banks. If the Government decides to utilize the merged bank for handling the Government's business to a greater extent than it previously had with the four public-sector banks prior to the merger, this may negatively impact the Bank's market share of the Government's business. The Government is not obligated to choose the Bank to conduct any of its transactions. If the Bank cannot successfully compete with private banks for Government business or the Government chooses other public sector banks to conduct transactions currently performed by the Bank or if the rates paid by the Government to the dealing banks decline, the Bank's business and/or the income derived from its Government operations will be adversely affected.

For the six months ended September 30, 2018, the total Government business turnover of the Bank was Rs. 27,400.5 billion and commission earned from Government transactions was Rs. 15.92 billion.

If the Bank is not able to control or reduce the level of non-performing assets ("NPAs") in its portfolio, its business will be adversely affected.

The Bank's gross NPAs increased from Rs. 981.7 billion as of March 31, 2016 to Rs. 1,123.4 billion as of March 31, 2017, which further increased to Rs. 2,234.3 billion as of March 31, 2018 and then decreased to Rs. 2,058.6 billion as of September 30, 2018, representing 6.5%, 6.9%, 10.9% and 9.9%, respectively, of gross customer assets; net NPAs increased from Rs. 558.1 billion as of March 31, 2016 to Rs. 582.8 billion as of March 31, 2017, which further increased to Rs. 1,108.5 billion as of March 31, 2018 and then decreased to Rs. 948.1 billion as of September 30, 2018, representing 3.8%, 3.7%, 5.7% and 4.8%, respectively, of net customer assets. The Bank's NPAs may increase in the future and any significant increase in NPAs may have a material adverse effect on the Bank's financial condition and results of operations. See "*Selected Statistical Information — Non-Performing Assets*." The Bank's NPAs can be attributed to several factors, including increased competition arising from economic liberalization in India, inconsistent industrial growth, the high level of debt in the financing of projects and capital structures of companies in India and the high interest rates in the Indian economy during the period in which a large number of projects contracted their borrowings, which reduced profitability of some of the Bank's borrowers. Although the Bank's loan portfolio contains loans to a wide variety of businesses, financial difficulties experienced by the Bank's customers or by sectors of the Indian economy to which the Bank has exposure could increase the Bank's level of NPAs and adversely affect its business, future financial performance, shareholders' funds and the trading price of the Notes. For example, the Bank is required by RBI regulations to extend 40.0% of its net bank credit to certain "priority sectors," such as agriculture, and economic difficulties may affect borrowers in priority sectors more severely. Economic downturns experienced in priority sectors would likely have a direct adverse effect on the Bank's NPA levels.

Financial difficulties and other problems in certain financial institutions in India could adversely affect the Bank's business and the trading price of the Notes.

The Bank is exposed to the risks inherent in the Indian financial system. These risks are driven by the financial difficulties faced by certain Indian financial institutions, whose commercial soundness may be closely interrelated as a result of credit, trading, clearing or other relationships among them. This risk, which is sometimes referred to as "systemic risk", may adversely affect financial intermediaries, such as clearing agencies, banks, securities firms and exchanges with whom the Bank interacts on a daily basis. Any such difficulties or instability of the Indian financial system in general could create an adverse market perception about Indian financial institutions and banks and adversely affect the Bank's business and the trading price of the Notes. As the Indian financial system operates within an emerging market, the Bank faces risks of a nature and extent not typically faced in more developed economies, including the risk of deposit runs notwithstanding the existence of a national deposit insurance scheme. See "*Overview of the Indian Financial Sector.*"

In September 2018, India's leading non-banking financial company, the Infrastructure Leasing and Financial Services Limited ("**IL&FS**"), reported that it has defaulted in several of its bank loan repayment obligations. This has led to volatility in the Indian debt and equity markets and heightened investors' concern about the systematic risks that Indian financial institutions face. There is no assurance that IL&FS' default will not have more significant repercussions in the infrastructure industry and on India's financial market as a whole, which may adversely affect the Bank's business, operations, financial performance and the trading price of the Notes.

The Bank has high concentrations of loans to certain customers and if a substantial portion of these loans were to become non-performing, the quality of its loan portfolio could be adversely affected.

As of September 30, 2018 and March 31, 2018, the Bank's total exposure to borrowers (fund-based and non-fund-based, including guarantees) was Rs. 28,626 billion and Rs. 27,753 billion, respectively. The ten largest individual borrowers in the aggregate accounted for 8.3% and 7.4% of the Bank's total exposure as of those dates, respectively, and its ten largest borrower groups in aggregate accounted for 12.3% and 11.7% of its total exposure as of those dates, respectively. The largest individual borrower as of September 30, 2018 accounted for 17.4% of the Bank's total capital funds (tier 1 and tier 2 capital). The largest individual borrower group as of September 30, 2018 accounted for 28.9% of the Bank's total capital funds. Credit losses on these large single borrower and group exposures could adversely affect the Bank's financial performance and the trading price of the Notes.

An increase in the Bank's portfolio of NPAs and provisioning requirements may adversely affect its business.

As of September 30, 2018, and as of March 31, 2018, 2017 and 2016, the Bank's gross NPAs represented 9.9%, 10.9%, 6.9% and 6.5%, respectively, of its gross customer assets, and the Bank's NPAs, net of provisions, represented 4.8%, 5.7%, 3.7% and 3.8%, respectively, of its net customer assets. As of September 30, 2018, and as of March 31, 2018, 2017 and 2016, the Bank provided for 70.7%, 66.2%, 65.9% and 60.7%, respectively, of its total NPAs (including prudential write-offs) pursuant to applicable regulatory guidelines and the quality of security available to the Bank. If the level of NPAs in the Bank's portfolio increases, or if there is any deterioration in the quality of the Bank's security or further aging of the assets after being classified as non-performing, an increase in provisions will be required. This increase in provisions may adversely impact the Bank's financial performance and the trading price of the Notes.

There can be no assurance that the percentage of the face value of the NPAs that the Bank will be able to recover will be similar to the Bank's past experience of recoveries of NPAs. The Bank's retail loan portfolio has grown in recent years, but there is limited data on historical loss ratios in retail loans, especially in the event of an economic slowdown. Furthermore, the tension in U.S. and China trade relations, continuing European sovereign credit crisis and the impact of global and Indian economic conditions on equity and debt markets may also lead to an increase in the level of NPAs in the Bank's corporate loan portfolio.

There can be no assurance that the RBI will not increase provisioning requirements. In 2009, the RBI adopted rules requiring banks to increase their provisioning coverage ratio ("**PCR**") to 70.0% of their gross NPA position. In order to achieve this ratio, the Bank made provisions of Rs. 23.3 billion in fiscal year 2011 and Rs. 11.0 billion in fiscal 2012. While the RBI has since relaxed this requirement, there can be no assurance than provisioning requirements will not increase in future. The Bank's PCR as of September 30, 2018, and as of March 31, 2018, 2017 and 2016, was 70.7%, 66.2%, 65.9% and 60.7%, respectively. The surplus from the provisioning under the PCR as against the provisioning required under the prudential provisioning norms is to be segregated into an account named counter-cyclical provisioning buffer. Any future RBI-mandated increases in provisions or other regulatory changes could lead to an adverse impact on the Bank's business, future financial performance and the trading price of the Notes. See "*Regulation and Supervision — Prudential norms on income recognition, asset classification and provisioning pertaining to advances.*"

The level of restructured loans in the Bank's portfolio may increase and the failure of its restructured loans to perform as expected could affect the Bank's business.

The Bank's standard assets include restructured standard loans. As a result of rising interest rates and the limited ability of corporations to access capital due to the volatility in global markets, there has been an increase in restructured loans in the banking system as well as in the Bank's portfolio since fiscal year 2012. The loan portfolio of the Bank's international branches and subsidiaries includes foreign currency loans to Indian companies for their Indian operations (as permitted by regulation) as well as for their overseas ventures, including cross-border acquisitions. This exposes the Bank to specific additional risks, including the failure of the acquired entities to perform as expected and the Bank's inexperience in various aspects of the economic and legal framework in overseas markets. Further, the quality of the Bank's long-term project finance loan portfolio could be adversely impacted by several factors. Economic and project implementation challenges in India and overseas could result in additions to restructured loans and the Bank may not be able to control or reduce the level of restructured loans in its project and corporate finance portfolio.

The RBI imposes various requirements on banks, including disclosing the accounts restructured on a cumulative basis (excluding the standard restructured accounts which cease to attract higher provision and/or higher risk weight), the provisions made on restructured accounts under various categories and details of movement of restructured accounts. In 2018, the RBI published new guidelines for restructuring loans under which banks must report defaults on a weekly basis in the case of borrowers with more than Rs. 50.0 million of loan. If a default occurs, banks are given 180 days within which to provide a resolution plan, failing which banks are required to refer the account to the Insolvency and Bankruptcy Code within 15 days. While continued initiatives and efforts by the RBI endeavors to provide banks with more powers to acquire control over their borrowers and for resolution of large stressed accounts, there can be no assurances that such efforts will lead to the turnaround in profitability or viability of such assets.

The combination of changes in regulations regarding restructured loans, provisioning, and any substantial increase in the level of restructured assets and the failure of these restructured loans to perform as expected could adversely affect the Bank's business, future financial performance and the trading price of the Notes.

The insolvency laws of India may differ from other jurisdictions with which holders of the Notes are familiar.

As the Bank is incorporated under the laws of the India, any insolvency proceedings relating to the Bank is likely to involve the insolvency laws of India, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Notes are familiar.

The Bank may experience delays in enforcing its collateral when borrowers default on their obligations to the Bank, which may result in a failure to recover the expected value of collateral security, exposing the Bank to a potential loss.

A substantial portion of the Bank's loans to corporate customers is secured by real assets, including property, plant and equipment. The Bank's loans to corporate customers also include working capital credit facilities that are typically secured by a first charge on inventory, receivables and other current assets. In some cases, the Bank may have taken further security of a first or second charge on fixed assets, including investments in immovable properties and a pledge of financial assets like marketable securities, corporate guarantees and personal guarantees. Although a substantial portion of the Bank's loans to retail customers is also secured by the financed assets, predominantly property and vehicles. An economic downturn could result in a fall in the value of the collateral securing the Bank's loans.

In India, foreclosure on immovable property generally requires a written petition to an Indian court or tribunal. An application, when made, may be subject to delays and administrative requirements that may result in, or be accompanied by, a decrease in the value of the immovable property. Security created on shares of a borrower can be enforced without court proceedings. However, there can be delays in realization in the event that the borrower challenges the enforcement in an Indian court. In the event that a corporate borrower makes a reference to the specialized judicial authority called the National Company Law Tribunal (the "**NCLT**"), foreclosure and enforceability of collateral is stayed.

The Insolvency and Bankruptcy Code enacted in 2016 provides for a time-bound mechanism to resolve stressed assets. Further, the new framework for resolution of stressed assets introduced in February 2018 by the RBI requires banks to implement a plan to resolve within 180 days any overdue account where aggregate exposure of the lenders is Rs. 20.0 billion or more, failing which the borrower would have to be referred for resolution under the Insolvency and Bankruptcy Code. The process of resolution of accounts referred under the Insolvency and Bankruptcy Code is still evolving, with periodic amendments being incorporated in the framework through both legislation and judicial decisions. This could delay the resolution of accounts referred. Should the resolution of accounts not be achieved, the borrowers will go into liquidation, and the market value of the collateral may come down thus impacting the recovery of dues by lenders. See "*Overview of the Indian Financial Sector — The Insolvency and Bankruptcy Code (Amendment) Bill, 2017*."

As of September 30, 2018, the Bank had 53 outstanding accounts in relation to IBC matters where the borrower had made a reference to the NCLT and as of the same date the amount involved in such matters stood at Rs. 97.0 billion, against which the Bank had made a provision of Rs. 32.0 billion. In accordance with the RBI guidelines, the incremental provision required on these accounts for fiscal year 2019 stands at Rs. 1.0 billion. The Bank may not be able to realize the full value of its collateral as a result of, among other factors, delays in bankruptcy and foreclosure proceedings, defects in the registration of collateral and fraudulent transfers by borrowers. A failure to recover the expected value of collateral security could expose the Bank to a potential loss. Any unexpected losses could adversely affect the Bank's business, its future financial performance and the trading price of the Notes.

The introduction of the SARFAESI Act in 2002 granted lenders the right to foreclose on collateral after sixty days' notice to a borrower whose loan has been classified as non-performing. However, in a case before the Supreme Court of India in 2004, while the constitutional validity of the SARFAESI Act was affirmed, the right of a defaulting borrower to appeal to the Debt Recovery Tribunal ("**DRT**") was also affirmed. The DRT has the power to issue a stay order prohibiting the lender from selling the assets of a defaulted borrower. As a result, there can be no assurance that any foreclosure proceedings would not be stayed by the DRT. In addition, there is also no assurance that the Insolvency and Bankruptcy Code, 2016 will continue to have a favorable impact on the Bank's efforts to resolve NPAs. A failure to recover the expected value of collateral security could expose the Bank to a potential loss.

The Indian banking industry is very competitive and the Bank's growth strategy depends on its ability to compete effectively.

The Bank faces competition from Indian and foreign commercial banks in all of its products and services. The Bank competes with non-banking financial companies in its retail products and services. In addition, since the Bank raises funds from market sources and individual depositors, it faces increasing competition for such funds. Applicable regulations currently permit foreign banks to establish wholly owned subsidiaries ("**WOS**") in India and to own up to 74.0% of equity in Indian private sector banks.

In November 2013, the RBI introduced the regulatory framework applicable to foreign banks in India. Pursuant to such framework, foreign banks may operate in India by establishing WOS. WOS of foreign banks are allowed to raise Rupee-denominated resources through the issue of non-equity capital instruments. Further, WOS of foreign banks may be allowed to open branches in Tier 1 to Tier 6 centers, except at specified locations considered sensitive for national security reasons.

In addition, new Bank Licensing Guidelines were issued by the RBI in February 2013, which specified that selected entities or groups in the private sector, entities in the public sector and non-banking financial companies with a successful track record of at least ten years would be eligible to provide banking services. In April 2014, the RBI granted in-principle approval to two applicants to set up banks under the New Bank Licensing Guidelines. To promote further financial inclusion in India, the RBI has issued licenses to 11 "Payment Banks" and ten "Small Finance Banks" in 2015, with the objective to provide banking facilities to the sections of the Indian population that have yet to utilize banking services. These new banks will operate mostly in rural areas. Further, in August 2016, the RBI issued new Guidelines for 'on tap' Licensing of Universal Banks in the private sector which stated that the initial minimum paid-up equity capital for a bank should be Rs. 5,000.0 million and thereafter, the bank should have a minimum net worth of Rs. 5,000.0 million at all times. Further, these new Guidelines provided for the setting up of a Standing External Advisory Committee by the RBI to deal with applications for new banking licenses.

Due to competition, the Bank may be unable to successfully execute its growth strategy and offer products and services at reasonable returns and this may adversely impact its business, future financial performance and the trading price of the Notes.

The Bank is subject to credit, market and liquidity risk which may have an adverse effect on its credit ratings and its cost of funds.

To the extent that any of the instruments and strategies the Bank uses to hedge or otherwise manage its exposure to market or credit risk are not effective, the Bank may not be able to mitigate effectively its risk exposures, in particular to market environments or against particular types of risk. The Bank's balance sheet growth depends on economic conditions, as well as on its decision to sell, purchase, securitize or syndicate particular loans or loan portfolios. The Bank's trading revenues and interest rate risk exposure depend on its ability to properly identify, and mark to market, changes in the value of financial instruments caused by changes in market prices or rates. The Bank's earnings also depend on the effectiveness of its management of migrations in credit quality and risk concentrations, the accuracy of its valuation models and its significant accounting estimates and the adequacy of its allowances for loan losses. To the extent that its assessments, assumptions or estimates prove inaccurate or not predictive of actual results, the Bank could suffer higher than anticipated losses. The successful management of credit, market and operational risk is an important consideration in managing its liquidity risk because it affects the evaluation of its credit ratings by rating agencies. As of the date of this Offering Memorandum, the Bank is rated "BBB- Stable" by S&P Global Ratings, "Baa3 Positive" by Moody's and "BBB-/Stable" by Fitch Ratings. Rating agencies may reduce or indicate their intention to reduce the ratings at any time. See also "*Risk Factors — Risks Relating to India — A downgrade in ratings of India, the Indian banking sector or the Bank may affect the trading price of the Notes.*" The rating agencies can also decide to withdraw their ratings altogether, which may have the same effect as a reduction in its ratings. Any reduction in the Bank's ratings (or withdrawal of ratings) may increase its borrowing costs, limit its access to capital markets and adversely affect its ability to sell or market its products, engage in business transactions, particularly longer-term and derivatives transactions, or retain its customers. This, in turn, could reduce its liquidity and negatively impact its operating results and financial condition.

There are limitations in the scope of the procedures adopted by the Auditors in the audit and review of the Bank's financial statements.

The Bank is India's largest bank, with 22,311 branches in India as of September 30, 2018. As noted in the audit reports for the audited financial statements of the Bank for fiscal years 2016, 2017 and 2018, and in the limited review report for the unaudited reviewed financial statements of the Bank as of and for the six months ended September 30, 2018, included elsewhere in this Offering Memorandum there are certain limitations in the scope of the audit and review of such financial statements and results. For example, the financial statements for fiscal year 2018 incorporate financial information from 9,033 branches in India and other accounting units which have not been subject to audit. Most of these branches consist of branches in smaller towns and villages, often in relatively remote areas. These unaudited branches accounted for 3.5% of advances, 12.6% of deposits, 4.6% of interest income and 12.9% of interest expenses of the Bank for fiscal year 2018. In addition, the limited review report as of and for the six months ended September 30, 2018 incorporates the relevant returns of 42 of the Bank's branches reviewed by the Bank's statutory auditors, 18 foreign branches reviewed by other auditors specially appointed for this purpose, and un-reviewed returns in respect of 22,192 branches. For the purposes of the limited review report on the unaudited reviewed financial statements of the Bank as of and for the six months ended September 30, 2018, 61.4% of the advances and 88.7% of the NPA portfolio have been reviewed. If the Bank fails to maintain an effective internal audit system and if proper procedures are not followed by the Bank's officials acting as concurrent auditors in the audit or review of the Bank's financial statements and results, the audit or review of such financial statements and results may not be reliable which could adversely and materially affect the Bank's results of operations and financial condition.

The Bank could be subject to volatility in income from its treasury operations that could adversely impact its financial condition.

The Bank's treasury operations are vulnerable to changes in interest rates and exchange rates as well as other factors, all of which are trading risks that are faced by the Bank. Any decrease in income from the Bank's treasury operations could adversely affect the Bank's business if it were unable to offset the same by increasing returns on its loan assets.

The Bank is exposed to various industry sectors. Deterioration in the performance of any of these industry sectors where the Bank has significant exposure may adversely impact the Bank's business.

The Bank's credit exposure to corporate borrowers is divided among various industry sectors, the most significant of which are infrastructure, iron and steel, textiles, petroleum and petrochemicals and engineering. As of March 31, 2018, the top five industry sectors accounted for 48.0% of the Bank's outstanding domestic fund-based loans.

The table below sets out the Bank's five largest domestic industry exposures (fund-based, excluding retail) as of September 30, 2018.

Industry	**As of September 30, 2018**	
	(Rs. in billions)	**(%)**
Infrastructure	2,860	28.3%
Iron and steel	864	8.6%
Textiles	469	4.6%
Petroleum and petrochemicals	397	3.9%
Engineering	265	2.6%
Others	5,256	52.0%
Total	10,111	100.0%

These fund-based exposures, totaling Rs. 10,111 billion, constituted 56.9% of the Bank's gross advances as of September 30, 2018. The global and domestic trends in these industrial sectors may have a bearing on the Bank's gross financial position.

The Bank is exposed to risks of significant deterioration in the performance of a particular sector, which may be driven by events not within the Bank's control. Regulatory action or policy announcements by the Central or State Government authorities may also adversely impact the profitability of an industry and therefore, the ability of borrowers in that industry to service their debt obligations, which could adversely and negatively affect the Bank's business and operating results. For instance, weakened financial performance by key players in an industry, such as in the infrastructure sector, could materially impact the industry as a whole as well as the financial market. See "*Risk Factors — Risks Relating to India — Financial difficulties and other problems in certain financial institutions in India could adversely affect the Bank's business and the trading price of the Notes.*" Increasing competition from other economies such as Bangladesh, Cambodia and Sri Lanka has softened the demand for India's textile export, which contributes to the significant portion of the Bank's exposure to the textile sector under stress. Although the Bank's portfolio contains loans to a wide variety of businesses, financial difficulties in these industry sectors may increase the level of NPAs and restructured assets, and adversely affect the Bank's business, its future financial performance, shareholders' funds and the trading price of the Notes.

The Bank's loan portfolio contains significant advances to the agricultural sector.

The Bank's loan portfolio contains significant advances to the agricultural sector amounting to Rs. 1,907.3 billion and Rs. 1,882.5 billion as of September 30, 2018 and March 31, 2018, respectively (which includes investments in the Rural Infrastructure Development Fund (the "**RIDF**"), Inter Bank Participation Certificate), which is 16.9% and 15.3% of adjusted net credit of the Bank, as of September 30, 2018 and March 31, 2018, respectively. Agricultural production is heavily dependent on weather cycles and is affected by general economic cycles, creating inherent risks in agricultural lending. Deterioration in the performance of the agricultural sector may lead to an increase in delinquency and adversely affect the Bank's business and financial condition. For example, any major floods or draughts which occur in the country will a negative impact on the customers in the affected regions, and in turn affected their ability to make timely payment on their loans. Meanwhile, the

Government's proposed agricultural lending plans may contemplate state-owned banks, including the Bank, lending at below-market rates in the agricultural sector. The RBI guidelines stipulate that the Bank's agricultural advances be 18.0% of adjusted net bank credit and the Bank's objective is to increase agricultural spending to achieve this benchmark. The international financial market may perceive the Bank's exposure of state-owned banks to the agricultural sector to involve higher risks, whether or not the Government mandates lending, which may negatively affect the Bank's access and cost of funding, and adversely affect the Bank's business, future financial performance and the trading price of the Notes.

Recently, several Indian states have announced farm loan waiver programs, with an estimated cost in the billions of Rupees. If such farm loan waivers become more widespread in the future, this could result in a loss of short-term liquidity for affected public sector banks, including the Bank, while such banks wait for the reimbursement of such waived loans from the Government. In addition to a loss of short-term liquidity for affected banks, such farm loan waivers may also have a negative impact on borrower behavior such as the farmers' willingness to make repayments as they may anticipate further farm loan waivers. The farm loan waiver programs may have an adverse impact on the banking sector as a whole as well as the Bank's business, future financial performance and the trading price of the Notes.

The Bank's loan portfolio contains significant exposures to home loans.

The Bank's loan portfolio contains significant exposure to retail loans for residential construction, purchase or renovations, amounting to Rs. 3,282.48 billion, or 20.6% of the Bank's total gross advances, as of September 30, 2018. This was an increase of 5.5% compared to March 31, 2018. As of September 30, 2018, 74.0% of the Bank's loans were secured by tangible assets, 3.6% loans were covered by the Bank's or Government guarantees, with remaining 22.5% of the Bank's loans unsecured. Repayment of these loans depends on various factors, including the health of the overall economy, whether its borrowers are able to repay the Bank, whether builders and developers are able to complete their projects on time and prevailing residential real estate prices. These and other factors could lead to an increase in impairment losses, and the Bank's financial condition and results of operations may be adversely affected.

The Bank faces significantly different credit risks than banks in developed countries.

The Bank's principal business is providing financing to its clients, most of which are based in India. The credit risk profiles of its borrowers differ significantly from those of borrowers of most banks in developed countries, due to such factors as a high level of uncertainty in the Indian regulatory, political, economic and industrial environment and difficulties that many of the Bank's borrowers face in adapting to instability in world markets and technological advances taking place across the world. Unlike developed countries, India does not have a fully operational nationwide credit information bureau. This may affect the quality of information available to the Bank about the credit history of its borrowers, especially individuals and small businesses. See "*Risk Management — Credit Risk Management.*"

Several of the Bank's corporate borrowers in the past suffered from low profitability due to, among other factors, increased competition arising from economic liberalization in India, variable industrial growth, a sharp decline in commodity prices, the high level of debt in the financing of projects and capital structures of companies in India, and the high interest rates in the Indian economy during the period in which a large number of the projects were entered into. The Bank's loans to SMEs can be expected to be more severely affected by adverse developments in the Indian economy than loans to large corporations. An economic slowdown and a general decline in business activity in India could impose further stress on these borrowers' financial soundness and profitability and thus expose the Bank to increased credit risk. The Bank is subject to the credit risk that its borrowers may not pay in a timely fashion or at all. See "*Risks relating to India — Economic conditions in India could adversely affect the Bank's business.*"

A substantial portion of the Bank's loans have a tenor exceeding one year, exposing the Bank to risks associated with economic cycles and project success rates.

As of September 30, 2018, loans with a remaining tenor exceeding one year constituted 12.7% of the Bank's total term loan portfolio. The long tenor of these loans may expose the Bank to risks arising out of economic cycles. In addition, some of these loans are project finance loans. There can be no assurance that these projects will perform as anticipated or that such projects will be able to generate cash flows to service commitments under the loans. The Bank is also exposed to infrastructure projects that are still under development and are open to risks arising out of delay in execution, failure of borrowers to execute projects on time, delay in getting approvals from necessary authorities, and breach of contractual obligations by counterparties, all of which may adversely impact the projected cash flows. Although the Bank has in place certain procedures to monitor its project finance borrowers, these procedures may not be effective, especially given the size and scope of the Bank's loan portfolio and the number of its borrowers. Risks arising out of a recession in the economy or a delay in project implementation or commissioning could lead to a rise in delinquency rates and, in turn, adversely impact the Bank's future financial performance and the trading price of the Notes.

The Bank's funding is primarily short-term and if depositors do not roll over deposited funds upon maturity the Bank's business could be adversely affected.

A significant proportion of the Bank's funding is considered short term, including demand deposits and time deposits that mature within one year. As at September 30, 2018, demand deposits and term deposits with maturities of less than one year constituted 42.6% of the Bank's total deposits.

At certain points in the Bank's profile of asset and liabilities maturities, there is a mismatch between the amount of short-term funding that matures or could be demanded and the portion of the Bank's assets that matures or could be immediately liquidated. Historically, this theoretical liquidity gap has not materialized because a substantial portion of the Bank's term deposits have been rolled over, meaning that the Bank retains the funds for a further term, and because a substantial portion of the Bank's demand deposits have consisted of "core" deposits, which the Bank assesses, based on a number of factors including past customer behavior, type and size of account, are less likely to be withdrawn in the foreseeable future. During the 12-month period ended September 30, 2018, approximately 70.0% of the funds in maturing term deposits were rolled over, and at September 30, 2018, the Bank estimated that 85.0% of its current deposits and 95.0% of its savings deposit consisted of core deposits.

Nevertheless, changes in customer behavior with respect to rolling over term deposits and withdrawing on-demand deposits could significantly affect the Bank's liquidity position. If the Bank experienced a liquidity gap, it would look initially to short-term funding options such as the repo facilities provided by the RBI or private money market or repo transactions. However, such facilities may not be available when the Bank needs them and may result in significant costs. Any long-term decrease in the rate at which customers roll over term deposits or a significant reduction in the Bank's level of core deposits is likely to require it to seek more expensive sources of funding, which would have an adverse impact on the Bank's profitability and financial condition.

The Bank is exposed to fluctuations in foreign exchange rates.

As a financial organization with operations in various countries and loans and borrowings denominated in a range of currencies, the Bank is exposed to exchange rate risk. The Bank complies with regulatory limits upon its unhedged foreign currency exposure by making foreign currency loans on terms that are generally similar to its foreign currency borrowings and thereby transferring the foreign exchange risk to the borrower or through use of cross-currency swaps and forwards to generally match the currencies of its assets and liabilities.

However, the Bank is exposed to fluctuations in foreign currency rates for its unhedged exposure. Adverse movements in foreign exchange rates may also impact the Bank's borrowers adversely, which may in turn impact the quality of its exposure to these borrowers. Volatility in foreign exchange rates could adversely affect the Bank's business, future financial performance and the trading price of the Notes. See also "*Risk Factors — Risks relating to the Bank's Business — The Bank's ability to repay foreign currency debt may be affected by exchange rate fluctuations*."

While the Group's insurance businesses are becoming an increasingly important part of the Bank's business, there can be no assurance of their future rates of growth or levels of profitability.

The Group's life insurance and general insurance joint ventures are becoming an increasingly important part of the Group's business. While these businesses have seen moderate growth since fiscal year 2009, there can be no assurance of their future rates of growth. The Group's life insurance business offers life, pension and health products. Reductions in capital market valuations and volatility in capital markets have had an adverse impact on the demand for unit-linked products. The Bank's life insurance subsidiary has also been impacted by the substantial changes in unit-linked product regulations specified by the Insurance Regulatory and Development Authority (the "**IRDA**") effective September 1, 2010. The regulatory changes include caps on charges including surrender charges, an increase in the minimum premium paying term and the introduction of minimum guaranteed returns on pension products. In March 2013, the IRDA issued further guidelines on non-linked and linked life insurance products which include limits on the commission rates payable by insurance companies, the introduction of a minimum guaranteed surrender value and minimum death benefits for non-linked products. The new guidelines require life insurance companies to modify existing products to comply with the revised guidelines. These revisions could impact the growth, margins and profitability of the Group's life insurance products.

The growth of the Group's general insurance business has been adversely impacted by the deregulation of pricing on certain products since 2007, which has resulted in a reduction in premiums for those products. There can be no assurance of the future rates of growth in the insurance business. Further, the Bank's general insurance subsidiary has also been adversely impacted by higher losses on the mandated third party motor insurance pool, which resulted in a loss of Rs. 1.2 billion in fiscal year 2016 for the subsidiary. In fiscal year 2017, there was a profit of Rs. 1.5 billion, and in fiscal 2018, there was a profit of Rs. 4.0 billion. A slowdown in the Indian economy, further regulatory changes or customer dissatisfaction with the Group's insurance products could adversely impact the future growth of these businesses. Any slowdown in these businesses and in particular in the life insurance business could have an adverse impact on the Bank's business and the trading price of the Notes.

Actuarial experience and other factors could differ from assumptions made in the calculation of life actuarial reserves.

The assumptions made by the Group's life insurance subsidiary, SBI Life Insurance, in assessing its life insurance reserves may differ from what it experiences in the future. SBI Life Insurance derives its actuarial reserves using assumptions that it considers prudent. These assumptions include an assessment of the long-term development of interest rates, investment returns, the allocation of investments between equity, fixed income and other categories, mortality and morbidity rates, policyholder lapses, policy discontinuation and future expense levels. SBI Life Insurance monitors its actual experience of these assumptions, and, where it considers there to be any deviation from these assumptions in the long term, it refines its long-term assumptions. Changes in any such assumptions may lead to changes in the estimates of life and health insurance reserves, and if any of its material assumptions prove to be incorrect, the business may experience losses on its insurance products.

Loss reserves for the Group's general insurance business are based on estimates of future claims liabilities and any adverse developments relating to such claims could lead to further reserve additions and could have a materially adverse effect on the operation of the Group's general insurance subsidiary.

In accordance with general insurance industry practice and accounting and regulatory requirements, the Group's general insurance subsidiary establishes reserves for loss and loss adjustment expenses related to its general insurance business. Reserves are based on estimates of future payments that will be made in respect of claims, including expenses relating to such claims. Such estimates are made on both a case-by-case basis, based on the facts and circumstances available at the time the reserves are established, as well as in respect of losses that have been incurred but not reported. These reserves represent the estimated ultimate cost necessary to bring all pending claims to final settlement.

Reserves are created based on actuarial valuations and are subject to change due to a number of variables which affect the ultimate cost of claims, such as changes in the legal environment, results of litigation, costs of repairs and other factors such as inflation and exchange rates. The Group's general insurance subsidiary's reserves for environmental and other latent claims are particularly subject to such variables. The results of operations of the Group's general insurance subsidiary depend significantly upon the extent to which its actual claims experience is consistent with the assumptions it uses in setting the prices for products and establishing the liabilities for obligations for technical provisions and claims. To the extent that its actual claims experience is less favorable than the underlying assumptions used in establishing such liabilities, it may be required to increase its reserves and this may have a materially adverse effect on the results of Group's operations.

Established loss reserves estimates are periodically adjusted using the most current information available to management, and any adjustments resulting from changes in reserve estimates are reflected in the current results of operations. The Bank's general insurance subsidiary also conducts reviews of various lines of business to consider the adequacy of reserve levels. Based on current information available and on the basis of internal procedures, the management of the Group's general insurance subsidiary considers that these reserves are adequate.

However, because the establishment of reserves for loss and loss adjustment expenses is an inherently uncertain process, there can be no assurance that ultimate losses will not materially exceed the established reserves for loss and loss adjustment expenses and have a material adverse effect on the results of operations of the Group's general insurance subsidiary.

The financial results of the Group's general insurance business could be materially adversely affected by the occurrence of a catastrophe.

Portions of the Group's general insurance business may cover losses from unpredictable events such as hurricanes, windstorms, monsoons, earthquakes, fires, industrial explosions, floods, riots and other man-made or natural disasters, including epidemics, acts of terrorism. The incidence and severity of these catastrophes in any given period are inherently unpredictable.

The Group's general insurance business monitors its overall exposure to catastrophes and other unpredictable events in each geographic region, and imposes underwriting limits related to insurance coverage for losses from catastrophic events. In addition, it seeks to reduce its exposure through the purchase of reinsurance, selective underwriting practices and by monitoring risk accumulation. However, notwithstanding these measures, any claims relating to catastrophes may result in unusually high levels of losses that may require additional capital to maintain solvency margins, which could in turn have a material adverse effect on the Group's financial position or results of operations.

The Bank's risk management policies and procedures may leave the Bank exposed to unidentified or unanticipated risks, which could negatively affect its business or result in losses.

The Bank's hedging strategies and other risk management techniques may not be fully effective in mitigating its risk exposure in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Some methods of managing risk are based upon observed historical market behavior. As a result, these methods may not predict future risk exposures, which could be greater than the historical measures indicated. Other risk management methods depend upon an evaluation of information regarding markets, clients or other matters. This information may not in all cases be accurate, complete, up to date or properly evaluated. Management of operational, legal or regulatory risk requires, among other things, policies and procedures to properly record and verify a large number of transactions and events. Although the Bank has established these policies and procedures, they may not be fully effective. See also "*Risk Management — Risk Management Structure*."

Operational risks such as fraud and errors may have an adverse impact on the Bank's business.

The Bank, like all financial institutions, is exposed to many types of operational risk, including the risk of fraud or other misconduct by employees or outsiders, unauthorized transactions by employees and third parties (including violation of regulations for prevention of corrupt practices, and other regulations governing its business activities), or operational errors, including clerical or record keeping errors or errors resulting from faulty computer or telecommunications systems. The Bank outsources some functions to other agencies, such as certain data entry, automated teller machines ("**ATM**") management and rural outreach business correspondent functions. Given its high volume of transactions, certain errors may be repeated or compounded before they are discovered and successfully rectified. In addition, its dependence upon automated systems to record and process transactions may further increase the risk that technical system flaws or employee tampering or manipulation of those systems will result in losses that are difficult to detect. The Bank may also be subject to disruptions of its operating systems arising from events that are wholly or partially beyond its control (including, for example, computer viruses or electrical or telecommunication outages), which may give rise to a deterioration in customer service and to loss or liability to the Bank. The Bank is further exposed to the risk that external vendors may be unable to fulfil their contractual obligations to the Bank (or will be subject to the same risk of fraud or operational errors by their respective employees as the Bank is), and to the risk that its (or its vendors') business continuity and data security systems prove not to be sufficiently adequate. The Bank also faces the risk that the design of its controls and procedures may prove inadequate, or are circumvented, thereby causing delays in detection or errors in information. Although the Bank maintains a system of controls designed to keep operational risk at appropriate levels, like all banks, the Bank has suffered losses from operational risk and there can be no assurance that the Bank will not suffer losses from operational risks in the future that may be material in amount, and its reputation could be adversely affected by the occurrence of any such events involving its employees, customers or third parties. For a discussion of how operational risk is managed, see "*Risk Management — Operational Risk Management*."

The Bank may not be able to detect money-laundering and other illegal or improper activities fully or on a timely basis, which could expose it to additional liability and harm its business or reputation.

The Bank is required to comply with applicable anti-money-laundering ("**AML**") and anti-terrorism laws and other regulations in India and in other jurisdictions where it has operations. These laws and regulations require the Bank, among other things, to adopt and enforce "know-your-customer" ("**KYC**") policies and procedures and to report suspicious and large transactions to the applicable regulatory authorities in different jurisdictions. While the Bank has adopted policies and procedures aimed at detecting and preventing the use of its banking networks for money-laundering activities and by terrorists and terrorist-related organizations and individuals generally, such policies and procedures may not completely eliminate instances where the Bank may be used by other parties to engage in money-laundering and other illegal or improper activities. The Bank's business and reputation could suffer if any such parties use the Bank for money-laundering or illegal or improper purposes.

In March 2013, an Indian online news magazine called Cobrapost conducted an undercover investigation of Indian banks' implementation of AML and KYC policies and procedures, finding irregularities in both public and private sector banks. Following the Cobrapost investigation, the RBI conducted its own investigation and on July 15, 2013 imposed fines on 22 public and private sector banks, including a fine of Rs. 30.0 million on the Bank. While the RBI did not find prima facie evidence of money laundering, it imposed fines for non-compliance or aberrations in compliance with its instructions.

The Bank's Inspection and Audit department investigated the branches reported on by Cobrapost and concluded they were not facilitating money laundering but found that instances of procedural non-compliance had occurred. The Bank has implemented new measures, such as strengthening IT-enabled restrictions, to prevent future procedural aberrations noted in the Bank's and the RBI's reports on the matter. However, no assurance can be made that such measures will be fully successful in preventing any future violation of AML and KYC procedures.

Additionally, in March 2013, the Bank's California based subsidiary, State Bank of India (California), entered into a consent order with its regulators (the "**Consent Order**"), the U.S. Federal Deposit Insurance Corporation ("**FDIC**") and California Department of Financial Institutions ("**CDFI**"), after FDIC and CDFI raised concerns about the AML and KYC compliance procedures of the State Bank of India (California). The Consent Order has imposed various obligations and restrictions on the State Bank of India (California) including, *inter alia*, that State Bank of India (California) shall not establish any new branches or other offices or enter into any new lines of business without the prior written consent of the FDIC and the CDFI, during the life of the Consent Order. While the Consent Order was terminated in 2017, to the extent the Bank or any of its subsidiaries fails to fully comply with applicable laws and regulations, the relevant governmental and regulatory agencies to which the Bank reports, have the power and authority to impose fines and other penalties and, in certain circumstances, to cease operations of the Bank or any of its subsidiaries. Any adverse action taken by such agencies could adversely affect the Bank's business, financial performance and reputation.

In July 2015, the Hong Kong Monetary Authority ("**HKMA**") imposed a penalty of HK$7,500,000 (equivalent to U.S.$967,742) on the Bank's Hong Kong branch operations for deficiencies in relation to Anti-Money Laundering ("**AML**")/Combating Financing of Terrorism control processes that were detected during HKMA's onsite visit to the Bank's Hong Kong branch, during the period from August 2012 to October 2012. Even though the fine imposed by the HKMA did not materially impact the Bank's profitability and the control gaps have since been remedied to the HKMA's satisfaction, there can be no assurance that this or similar punitive actions in the future will not have a material adverse effect on the Bank's financial position, results of operations or its reputation.

The Bank or its customers may engage in certain transactions in or with countries or persons that are subject to U.S. and other sanctions.

U.S. law generally prohibits U.S. persons from directly or indirectly investing or otherwise doing business in or with certain countries that are the subject of sanctions (such as Cuba, North Korea, Ukraine, Russia, Iran, Sudan and Syria, among others) and with certain persons or businesses that have been specially designated by the U.S. Treasury Department's Office of Foreign Assets Control ("**OFAC**") or other U.S. government agencies. Other governments and international or regional organizations also administer similar economic sanctions.

The Bank provides transfer, settlement and other services to customers doing business with, or located in, countries to which certain OFAC-administered and other sanctions apply, such as Iran. Although the Bank believes it has compliance systems in place that are sufficient to block prohibited transactions, there can be no assurance that the Bank will be able to fully monitor all of its transactions for any potential violation. Although it does not believe that it is in violation of any applicable sanctions, if it were determined that transactions in which the Bank participates violate U.S. or other sanctions, the Bank could be subject to U.S. or other penalties, and the Bank's reputation and future business prospects in the United States or with U.S. persons, or in other jurisdictions, could be adversely affected. Further, investors in the Notes could incur reputational or other risks as a result of the Bank's and the Bank's customers' dealings in or with countries or with persons that are the subject of U.S. or other sanctions.

Significant security breaches could adversely impact the Bank's business.

The Bank seeks to protect its computer systems and network infrastructure from physical break-ins as well as security breaches and other disruptive problems. Computer break-ins and power disruptions could affect the security of information stored in and transmitted through these computer systems and network infrastructure. There may be areas in the system that have not been properly protected from security breaches and other attacks. The Bank employs security systems, including firewalls and password encryption, designed to minimize the risk of security breaches. Although the Bank intends to continue to implement security technology and establish operational procedures to prevent break-ins, damage and failures, there can be no assurance that these security measures will be adequate or successful. Failed security measures could have a material adverse effect on the Bank's business, its future financial performance and the trading price of the Notes. The Bank's business operations are based on a high volume of transactions. Although the Bank takes measures to safeguard against system-related and other fraud, there can be no assurance that it would be able to prevent fraud. The Bank's reputation could be adversely affected by significant fraud committed by employees, customers or outsiders.

System failures could adversely impact the Bank.

Given the substantial share of retail products and services and transaction banking services in the Bank's overall business, the importance of systems technology to the Bank's business has increased significantly. The Bank's principal delivery channels include ATMs, internet banking, mobile banking and call centers. Any failure in the Bank's systems, particularly for retail products and services and transaction banking, could significantly affect the Bank's operations and the quality of its customer service and could result in business and financial losses and adversely affect the trading price of the Notes.

Banking is a heavily regulated industry and material changes in the regulations which govern the Bank could cause its business to suffer.

Banks in India are subject to detailed regulation and supervision by the RBI. In addition, banks are generally subject to changes in Indian law, as well as to changes in regulations, government policies and accounting principles. The laws and regulations governing the banking sector, including those governing the products and services that the Group provides or proposes to provide, such as its life insurance or asset management business, or derivatives and hedging products and services, could change in the future. Any such changes may adversely affect the Bank's business, future financial performance and the trading price of the Notes by, for example, requiring a restructuring of the Bank's activities or increasing its operating costs. See "*Regulation and Supervision.*"

The RBI requires every scheduled commercial bank to extend 40.0% of its net bank credit to certain eligible sectors, such as agriculture, small-scale industries and individual housing finance up to Rs. 2.5 million (which are categorized as "priority sectors"). Economic difficulties are likely to affect those borrowers in priority sectors more severely. As a result of these requirements, we may extend loans to borrowers that we would not make on purely commercial criteria, and our loan portfolio may include higher exposure to priority sectors than we would choose to have without these requirements. As of September 30, 2018, the Bank's lending to priority sectors accounted for 37.5% of adjusted net bank credit, with 16.9% of net credit going to the agricultural sector. See "*Regulation and Supervision — Priority Sector Lending.*"

If the Bank does not effectively manage its foreign operations or its international expansion, these operations may incur losses or otherwise adversely affect the Bank's business and results of operations.

As of September 30, 2018, the Bank had a network of 209 international offices in 35 countries including in such locations as New York, London, Frankfurt, Singapore, Hong Kong and the Maldives. In addition, given the opportunities arising from the substantial Indian population in the region, the Bank has entered into tie-ups with exchange companies and banks in the Middle East to facilitate non-resident Indian and other customer remittances to India. The Bank's own international network is supported by correspondent relationships with leading banks in countries across the world and also by relationship management arrangements with several other banks. As of September 30, 2018, the Bank maintained correspondent relationships with 234 leading banks in 57 countries. As of September 30, 2018, the Bank also had 4,907 relationship management application arrangements through the SWIFT network, facilitating interbank financial telecommunications, and it intends to further expand its international operations. As of September 30, 2018, the international banking group's loan portfolio was equal to 14.1% of the Bank's total advances.

Additionally, the Bank has plans to open and upgrade branches in certain foreign jurisdictions with the aim of operating as a local bank, providing commercial and retail products and services to attract both non-resident Indians and non-Indian customers. For example, the Bank expanded its operations into Africa through opening its seventh foreign subsidiary in Botswana in 2013. However, there is no assurance that the Bank will be able to successfully compete with existing banks in such foreign jurisdictions.

As the Bank has or plans to open a number of foreign branches, joint ventures and associates, it is subject to or may become subject to additional risks related to complying with a wide variety of national and local laws, restrictions on the import and export of certain intermediates, banking regulations, technologies and multiple and possibly overlapping tax structures. As a result, successful foreign expansion requires substantial capital, and it will be costly for the Bank to fund organic growth and to conduct acquisitions of foreign businesses. Acquisitions involve various risks that are difficult for the Bank to control and the Bank cannot be certain that any acquired or new businesses will perform as anticipated. The Bank may also face difficulties integrating new facilities in different countries into its existing operations, as well as integrating employees that the Bank hires in different countries into its existing corporate culture or complying with unfamiliar laws and regulations. If the Bank does not effectively manage its foreign operations and expansion, it may lose money in these countries, which could adversely affect the Bank's business and results of operations.

The Bank needs to comply with regulatory requirements in jurisdictions in which it operates.

The Bank and its overseas branches are required to maintain monitoring systems and controls, risk management structures, operational compliances and processes that meet regulatory requirements in their jurisdictions. The failure to comply may subject the Bank or its overseas branches to regulatory action from foreign and Indian regulators. For example, in December 2013, the Authority of Prudential Control and Resolution ("**APCR**"), the banking regulation authority in France, instituted disciplinary proceedings against the Bank's operations in Paris on the basis that the APCR found certain deficiencies in the Bank's control system during its on-site examination in 2012. After the disciplinary proceedings, in February 2015, the APCR imposed certain financial and other penalties on the Bank for failure to comply with the APCR's regulatory standards. Similarly, a financial penalty was imposed on the Muscat Branch in August 2015 for failure to report information on returned cheques to the regulator which was caused by a technical glitch in the Bank's Cheque Return System Interface. In addition, regulators in Hong Kong, New York and Sri Lanka have raised various issues and concerns with respect to the Bank's operations in their respective jurisdictions. With the Bank's widespread overseas presence, despite the Bank's ongoing efforts to enhance the systems and controls to meet regulatory expectations in all jurisdictions in full, the relevant governments and regulatory agencies to which the Bank reports have the authority to impose penalties and other punitive actions. Any such adverse action taken by such agencies could adversely affect the Bank's business, financial performance and reputation.

Regulatory changes in India or other jurisdictions in which the Bank operates could adversely affect its business.

The laws and regulations or the regulatory or enforcement environment in any of those jurisdictions in which the Bank operates may change at any time and may have an adverse effect on the products or services the Bank offers, the value of its assets or its business in general.

The RBI, as the central banking institution leading India's monetary policy, has many objectives across wide ranging issues including promoting economic growth, ensuring price stability, controlling inflation, managing India's foreign exchange reserves and supervising the banking and financial institutions. In carrying out its objectives, the RBI may enact measures that result in a more challenging environment or competitive landscape for the Bank to operate in. Future changes in the stance of the RBI could have an adverse impact on the Bank's business, operations and profitability. For example, the RBI's ongoing efforts to tighten the framework on public and private sector banks' NPAs may limit the Bank's flexibility to resolve stressed credit and bad loans problems. The RBI may also direct banks to increase the PCR on credit portfolios which may adversely affect the Bank's financial condition and results of operations. Any change by the RBI to the directed lending norms may also result in the Bank being unable to meet the priority sector lending requirements, as well as requiring the Bank to increase its lending to relatively riskier segments which could result in an increase in NPAs in the Bank's directed lending portfolio. Consequently, the Bank's levels of yield-generating assets may be reduced or the Bank may be forced to recognize accounting losses, which could materially adversely affect its recognized profits, financial condition and results of operations.

Any such change in law or regulations in India and other jurisdictions in which the Bank operates may present the Bank with a number of risks and challenges, some or all of which could have an adverse effect on the Bank's business and financial performance.

The Bank is subject to capital adequacy and liquidity requirements stipulated by the RBI, including Basel III, and any inability to maintain adequate capital or liquidity due to changes in regulations, a lack of access to capital markets or otherwise may impact the Bank's ability to grow and support its businesses.

With effect from April 1, 2013, banks have complied with Basel III capital adequacy framework as stipulated by the RBI. The Basel III guidelines, among other things, impose a minimum Common Equity Tier 1 risk-based capital ratio of 5.5%, a minimum Tier 1 risk-based capital ratio of 7.0% and a minimum total risk-based capital ratio of 9.0%; require banks to maintain a Common Equity Tier 1 capital conservation buffer of 2.5% of risk-weighted assets above the minimum requirements to avoid restrictions on capital distributions and discretionary bonus payments; establish new eligibility criteria for capital instruments in each tier of regulatory capital; require more stringent adjustments to and deductions from regulatory capital; provide for more limited recognition of minority interests in the regulatory capital of a consolidated banking group; impose a 4.5% Basel III leverage ratio of Tier 1 capital to exposure; and modify the RBI's Basel II guidelines with respect to credit risk, including counterparty credit risk and credit risk mitigation, and market risk. The guidelines are required to be fully implemented from March 31, 2019.

Applying the Basel III guidelines, capital ratios of the Bank as of September 30, 2018 were: Common Equity Tier 1 risk-based capital ratio of 9.65%; Tier 1 risk-based capital ratio of 10.36%; and total risk-based capital ratio of 12.61%.

The RBI may require additional capital to be held by banks as a systemic buffer. Globally, capital regulations continue to evolve, including additional capital requirements for domestic systemically important banks. The RBI has also released guidelines for dealing with domestic banks that are of systemic importance in June 2014. It also released guidelines on counter-cyclical capital buffers ("**CCCB**") in February 2015 which were to be activated as and when the appropriate circumstances arose. However, in April 2018, the RBI deferred the implementation of CCCB on banks till further notice. In addition, with the approval of the RBI, banks in India may migrate to advanced approaches for calculating risk-based capital requirements in the medium term. These evolving regulations may impact the amount of capital that the Bank is required to hold. The Bank's ability to grow its business and execute its strategy is dependent on its level of capitalization. See "*Regulation and Supervision — The RBI and its Regulations*." Any increase in capital adequacy requirements applicable to the Bank or any deterioration in the Bank's capital ratios may require it to raise additional regulatory capital, limit its ability to grow its business and may affect the Bank's future performance and strategy.

As the Bank's majority shareholder, the Government controls the Bank and may cause the Bank to take actions which are not in the interests of the Bank or of the holders of the Notes.

In accordance with the State Bank of India Act 1955 ("**SBI Act**"), the Government, in consultation with the RBI, has the power to appoint and/or nominate the Chairman, a maximum of four Managing Directors and a majority of the directors of the Bank's Central Board ("**Central Board**" or "**Board**"), which determines the outcome of the actions relating to the general direction of the affairs of the Bank, including payment of dividends. See "*Regulation and Supervision — The Bank's relationships with the Government and the RBI*." Under the SBI Act, the Government, after consultation with the RBI and the Chairman of the Bank, may also issue directives on matters of policy involving the public interest that may affect the conduct of the business affairs of the Bank. Decisions taken by the Government under the SBI Act may affect the Bank and its business in ways that are detrimental to other Securityholders including holders of the Notes. Further amendments to the SBI Act have also enabled the Bank to issue preference shares. There can be no assurance that the SBI Act will not be repealed or significantly amended in the future. In addition, there can be no assurance that the RBI or the Government will not take action or implement policies that are averse to the interests of the investors in the Notes. See "*Regulation and Supervision — Statutory Framework*."

The legal requirement that the Government maintain a majority shareholding interest in the Bank of at least 51% may limit the ability of the Bank to raise appropriate levels of capital.

The SBI Act prohibits the Government's shareholding in the Bank's issued capital consisting of equity shares from falling below 51.0%. This requirement could result in restrictions in the equity capital raising efforts of the Bank as the Government may not be able to fund any further investments that would allow it simultaneously to maintain its stake at a minimum of 51.0% and permit the Bank to raise equity capital. As the Indian economy grows, more businesses and individuals will require capital financing. In order to meet and sustain increasing levels of growth in capital demand, the Bank will need to increase its capital base over time, whether through organic growth or (more likely) capital market financing schemes. If the Bank is unable to grow its capital base in step with demand, its business, financial prospects and profitability may be materially and adversely affected.

The Group may not be successful in implementing its growth strategies or entering new markets.

One of the Group's principal business strategies is to expand into new businesses and financial services product offerings. To this end, the Group has launched initiatives in general insurance, private equity funds and cash management services, among other businesses, in recent years. This strategy exposes the Group to a number of risks and challenges, including, among others, the following:

- growth will require greater marketing and compliance costs than experienced in the past, diverting operational, financial and managerial resources away from the existing businesses of the Group;

- growth plans and new investments in businesses may not develop and materialize as the Group anticipates and there can be no assurances that new product lines or businesses will become profitable;

- the Group may fail to identify appropriate opportunities and offer attractive new products in a timely fashion putting its businesses at a disadvantage as compared to its competitors;

- compliance with new market standards and unfamiliar regulations will place new demands upon management and create new and possibly unforeseen risks to the Group;

- the Group will need to hire or retrain skilled personnel who are able to supervise and conduct the relevant new business activities, adding to the Group's cost base; and

- competitors in the different business segments that the Group operates in may have more experience and resources than the Group which may affect its ability to compete.

In addition, the Group's growth strategy in the future may involve strategic acquisitions and reconstructions, partnerships, joint ventures and exploration of mutual interests with other parties.

These acquisitions and investments may not necessarily contribute to business growth and the Group's profitability or be unsuccessful. In addition, the Group could experience difficulty in assimilating personnel, integrating operations and cultures and may not realize the anticipated synergies or efficiencies from such transactions. These difficulties could disrupt the Group's ongoing business, distract its management and employees and increase its expenses.

If the Bank is not able to integrate any future acquisitions, the Bank's business could be disrupted.

The Bank may seek opportunities for growth through acquisitions or be required to undertake mergers mandated by the RBI. For example, the Bank merged with five of its associate banks — State Bank of Bikaner and Jaipur, State Bank of Mysore, State Bank of Travancore, State Bank of Hyderabad and State Bank of Patiala — in April 2017. The Bank continues to deal with various aspects of the integration process, including rebranding of the associate banks and consolidating internal policies. This merger and any future acquisitions or mergers may involve a number of risks, including diversion of its management's attention required to integrate the acquired business and failure to retain key acquired personnel and clients, leverage synergies, rationalize operations, or develop the skills required for new businesses and markets, or unknown and known liabilities, some or all of which could have an adverse effect on its business.

If the Bank is unable to adapt to rapid technological changes, its business could suffer.

The Bank's future success will depend in part on its ability to respond to technological advances and to emerging banking industry standards and practices on a cost-effective and timely basis. The development and implementation of such technology entail significant technical and business risks. There can be no assurance that the Bank will successfully implement new technologies effectively or adapt its transaction processing systems to meet customer requirements or emerging industry standards. If the Bank is unable, for technical, legal, financial or other reasons, to adapt in a timely manner to changing market conditions, customer requirements or technological changes, its business, the future financial performance of the Bank and the trading price of the Notes could be materially affected.

The Bank implements new information technology systems as it expands and may experience technical difficulties with their implementation.

The Bank implemented and continues to implement new information technology ("**IT**") systems to facilitate and complement its growth. As the Bank implements additional IT platforms which become integral to the Bank's product offering, unforeseen technical difficulties may cause disruption in the Bank's operations. For example, in February 2012, the Bank updated several of its application servers. While it took various precautions such as replacing and reintegrating only one server at a time, the Bank experienced disruptions such as the disruption of uploading of bulk transactions for a day. Such disruptions could significantly affect the Bank's operations and quality of its customer service and could result in business and financial losses, which could adversely affect the profitability of the Bank and the trading price of the Notes. As the Bank's risk management systems evolve and as its operations become more reliant upon technology to manage and monitor its risk, any failure or disruption could materially and adversely affect its operations and financial position.

The Bank depends on the accuracy and completeness of information about customers and counterparties.

In deciding whether to extend credit or to enter into other transactions with customers and counterparties, the Bank may rely on information furnished to the Bank by or on behalf of customers and counterparties, including financial statements and other financial information. The Bank may also rely on certain representations as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. For example, in deciding whether to extend credit, the Bank may assume that a customer's audited financial statements conform to generally accepted accounting principles and present fairly, in all material respects, the financial condition, results of operations and cash flows of the customer. The Bank's financial condition and results of operations could be negatively affected by relying on financial statements that do not comply with generally accepted accounting principles or with other information that is materially misleading.

The Bank's employees are highly unionized and any union action may adversely affect the Bank's business.

Most of the Bank's employees are represented by one of two unions: the All India State Bank Officers' Federation ("**AISBOF**") and the All India State Bank of India Federation ("**AISBISF**"). Both unions are non-political. Approximately 91.0% of the Bank's clerical and subordinate staff are members of AISBISF and 92.0% of the Bank's officers are members of AISBOF. AISBISF is affiliated with the National Confederation of Bank Employees and AISBOF is affiliated to the All India Bank Officers' Confederation ("**AIBOC**"). There have been strikes led by NCBE and AIBOC in the past in which the Bank's employees have participated.

The Indian Banks' Association and the Award Staff Unions and Officers Federation signed a settlement with AISBOF and AISBISF on May 25, 2015, which resulted in an upward revision in the public sector bank employees' salaries. While the Bank believes that it generally has a strong working relationship with its unions, there can be no assurance that the Bank will continue to maintain such a relationship in the future. It is possible that future calls for work stoppages or other similar actions could force the Bank to suspend part of its operations until disputes are resolved. Such suspension of the Bank's operations could adversely affect the Bank's business and operations.

The Bank's remuneration scheme may not be as attractive as other banks with which it competes and may hurt the Bank's ability to attract and maintain a skilled and committed workforce.

The Bank's remuneration scheme for employees up to the level of the general manager position is guided by an industry-wide bipartite settlement between the Indian Banks' Association and the public sector bank employees represented by their respective unions or associations. The Indian Banks' Association and the Award Staff Unions and Officers Federation signed the tenth bipartite wage settlement on May 25, 2015, which provided for an upward revision of salary for the public sector bank employees. All negotiations are subject to final approval by the Government, which limits the Bank's flexibility in implementing performance-linked pay. More than 99.0% of the Bank's employees are subject to this scheme. Although the Bank's remuneration packages may not be comparable at certain levels with those offered by private sector banks, the Bank believes that other benefits allow it to effectively compete for qualified employees. Excluding retirement, the general attrition rate of the Bank is in the range of 1.0% to 2.0% among its permanent staff. When required, the Bank also employs officers with specialized skills on a contract and on a cost-to-company basis, offering competitive salaries. The attrition rate in this category is slightly higher than the rate in the Bank's permanent staff, but comparable with market levels for contract officers. To incentivize high performers, the Bank operates a performance-linked incentive scheme, which is intended to reduce employee attrition and improve productivity. If the general banking industry increasingly moves toward incentive-based pay schemes, the Bank's attrition rates could increase and the Bank could be forced to alter its remuneration scheme. Such pressures may negatively affect the Bank's operations and profitability, especially if employee productivity or output does not experience a commensurate rise.

The Bank is involved in various litigation matters. Any final judgment awarding material damages against the Bank could have a material adverse impact on its future financial performance, stockholders' equity and the trading price of the Notes.

The Bank is often involved in certain litigation matters in the ordinary course of the its business. These matters generally arise because the Bank seeks to recover from borrowers or because customers seek claims against them. Although it is the Bank's policy to make provisions for probable loss, the Bank does not make provisions or disclosures in its financial statements where its assessment is that the risk is insignificant. The Bank cannot guarantee that the judgments in any of the litigation in which the Bank is involved would be favorable to it and, if its assessment of the risk changes, its view on provisions will also change. Increased provisioning for such potential losses could have a material adverse effect on the Bank's results of operations and financial condition. If the Bank's provisioning is inadequate relative to actual losses on final judgment, such additional losses could have an adverse impact on the Bank's business. For details, please see the section titled "*Business — Legal and Regulatory Proceedings.*"

The Group has contingent liabilities.

As of September 30, 2018, the Group had contingent liabilities of approximately Rs. 11,595.8 billion, recording a decrease of 0.06% in comparison to the Group's contingent liabilities of Rs. 11,663.4 billion as of March 31, 2018. This decrease in contingent liabilities since March 31, 2018 was primarily due to the decrease in liabilities on account of outstanding forward exchange contracts.

If the Group's contingent liabilities are realized, this may have an adverse effect on the Bank's future financial performance and the trading price of the Notes.

Investors may have limited recourse to the assets of the Bank in view of the overarching powers of the Government to order winding-up of the Bank.

The Bank can be placed in liquidation only by an order of the Government pursuant to Section 45 of the SBI Act, which exempts the Bank from provisions of Indian law relating to the winding-up of companies generally and stipulates that the Bank cannot be placed in liquidation except by order of the Government. Accordingly, in the event of default of the Bank under the Notes, the Noteholders will have no ability to wind up the Bank. There can be no assurance that the claims of the Noteholders would be treated as senior unsecured obligations of the Bank as the Government would have the sole ability to determine the ranking of claims of the Bank in liquidation.

Risks relating to India

Economic conditions in India could adversely affect the Bank's business.

A substantial part of the Bank's business is focused in India. As a result, the Bank's operations and financial performance are closely linked to the economic conditions of India, which exposes the Bank to risks that are beyond its control. For example, any slowdown in the growth of the housing, automobile and agricultural sectors in India could adversely impact the Bank's business, financial condition and results of operations given the importance of the Bank's retail banking portfolio and its agricultural loan portfolio to its business. India's economic conditions may also be affected by macroeconomic conditions such as its global commodity prices and trade deficits, which could adversely affect the Indian economy and consequently, the Bank's borrowers and contractual counterparties.

The gross NPAs in the Indian banking system have grown, while stressed advances, including standard restructured loans, have risen since September 2014. This deterioration in asset quality is expected to continue into the next few quarters, however, profitability measured by return on assets and return on equity remained around the same level during the last two years. The overall risks to the banking sector remains elevated due to asset quality concerns. In addition, the banking stability map suggests that the overall risks to the banking sector have moderated marginally. Nonetheless, concerns remain over the continued weakness in asset quality and profitability. With deterioration in asset quality and the progressive implementation of Basel III warranting higher buffers, troubled public sector banks received capital infusions via the issuance of recapitalization bonds and budgetary support.

The Reserve Bank's revised prompt corrective action framework became effective in April 2017. Eleven public sector banks placed under this framework have been restricted in their operations and subjected to remedial action plan so as to prevent further capital erosion. Banks will witness further deterioration in their NPAs due to the "economic situation prevailing" in the current financial year. Going forward, the stress tests carried out by the Reserve Bank suggest that under the baseline assumption of the current economic situation prevailing, the gross non-performing assets ratio of scheduled commercial banks may increase further in 2018-19, as per RBI's latest Annual Report. Further, the gross non-performing assets plus restructured standard advances in the banking system remained elevated at 12.1% of gross advances as of March 31, 2018. Accordingly, the combined impact of the increase in provisioning against NPAs and mark-to-market treasury losses on account of the hardening of yields eroded the profitability of banks, resulting in net losses.

The effects of inflation, particularly fluctuations in commodity prices, may have a significant effect on the Indian economy and the Bank's business

In recent years, the Indian economy has experienced periods of high inflation. High inflation can adversely affect the Bank's business in a number of ways, including impeding economic growth and reducing borrowing because of reduced investment and consumption and higher interest rates. While inflation has since returned to lower levels, a return to high rates of inflation may have a material adverse effect on the Bank's business.

India imports approximately 80.0% of its total crude oil requirements, and crude oil constituted approximately 23.0% of India's total imports. As a result, India's economy and inflation rate are particularly susceptible to increases in the price of crude oil. Global crude oil prices have been volatile, fluctuating significantly as a result of factors including changes in supply, including as a result of OPEC actions, worldwide economic, financial and market conditions, military conflicts and geopolitical tensions, and changes in energy consumption, including as a result of new technology. A significant increase in crude oil prices could result in lower economic activity in India and place the Bank's customers under stress, which would adversely affect the Bank's profitability.

A slowdown in economic growth in India could cause the Bank's business to suffer.

The Bank's performance and the growth of its business are necessarily dependent on the health of the overall Indian economy. As a result, any slowdown in the Indian economy could adversely affect the Bank's business. The economic growth of India marginally decreased in 2017-2018 compared to 2016-2017. While GDP growth has subsequently picked up, any substantial decrease in the rate of economic growth or adverse conditions in Indian economy in general, would be expected to adversely affect the Bank's business, results of operations, financial conditions and prospects.

A significant change in the Government's policies could adversely affect the Bank's business and the trading price of the Notes.

The Indian Government has traditionally exercised and continues to exercise a dominant influence over many aspects of the Indian economy. The Government's economic policies have had and could continue to have a significant effect on public sector entities, including the Bank, and on market conditions and prices of Indian securities, including securities issued by the Bank. See "*Regulation and Supervision — The Bank's relationships with the Government and the RBI.*"

In recent years, the Indian governments have generally pursued a course of economic liberalization and deregulation aimed at accelerating the pace of economic growth and development. This has included liberalizing rules and limits for foreign direct investment in a number of important sectors of the Indian economy, including infrastructure, railways, services, pharmaceuticals and insurance. In addition, the current Indian government has pursued a number of other economic reforms, including the introduction of a goods and services tax, increased infrastructure spending and a new Insolvency and Bankruptcy Code.

There can be no assurance that the government's policies will succeed in their aims, including facilitating high rates of economic growth. Likewise, there can be no assurance that the government will continue with its current policies. New or amended policies may be unsuccessful or have detrimental effects on economic growth. In the past, government corruption scandals and protests against economic reforms, as well as social and ethnic instability and terrorist incidents have hampered the implementation of economic reform. In addition, a general election is due to be held in April or May 2019. If a new government is elected, it may pursue different policies that are less effective in assisting economic growth. If the election does not result in a single party or alliance winning a majority of seats in the Lok Sabha, or lower house of India's Parliament, there may be a period of political uncertainty until a new government is formed, which may hamper effective policy-making.

Financial instability in India, other countries where the Bank has established operations, or globally could adversely affect the Bank's business and the trading price of the Notes.

The Indian economy is influenced by the global economic and market conditions, including conditions in the United States, in Europe and in certain emerging market countries. The Bank has established operations in several other countries, including the United States, certain European countries, and certain emerging market countries. A loss of investor confidence in the financial systems of other markets and countries where the Bank has established operations or any worldwide financial instability may cause increased volatility in the Indian financial markets and, directly or indirectly, adversely affect the Indian economy and financial sector and its business. In its latest World Economic Outlook, the International Monetary Fund forecasts the global economy will expand at 3.9% in both 2018 and 2019, slightly faster than the 3.7% achieved in 2017. The outlook provides a list of downside risk factors, including mounting trade tensions, rising interest rates, political uncertainty and complacent financial markets. This and any prolonged financial crisis may have an adverse impact on the Indian economy, thereby resulting in a material adverse effect on our business, financial condition and results of operations.

The global credit and equity markets have experienced substantial dislocations, liquidity disruptions and market corrections. The dislocation of the sub-prime mortgage loan market in the United States since September 2008, and the more recent European sovereign debt crises, have led to increased liquidity and credit concerns and volatility in the global credit and financial markets. Significant uncertainty remains as to the impact of Brexit on general economic conditions in the United Kingdom and the European Union and any consequential impact on global financial markets. A lack of clarity over the process for managing the exit and uncertainties surrounding the economic impact could lead to a further slowdown and instability in financial markets. These and other related events have had a significant impact on the global credit and financial markets as a whole, including reduced liquidity, greater volatility, widening of credit spreads and a lack of price transparency in the United States and global credit and financial markets.

A loss of investor confidence in the financial systems of other emerging markets may cause increased volatility in the Indian financial markets and indirectly in the Indian economy in general. Any worldwide financial instability could influence the Indian economy. In response to such developments, legislators and financial regulators in the United States and other jurisdictions, including India, implemented a number of policy measures designed to add stability to the financial markets. See "*Regulation and Supervision*." However, the overall long-term impact of these and other legislative and regulatory efforts on the global financial markets is uncertain, and they may not have had the intended stabilizing effects. Any significant financial disruption in the future could have an adverse effect on the Bank's cost of funding, loan portfolio, business, future financial performance and the trading price of the Notes. Adverse economic developments overseas in countries where the Bank has operations could have a material adverse impact on the Bank and the trading price of the Notes.

A downgrade in ratings of India, the Indian banking sector or the Bank may affect the trading price of the Notes.

Because the Bank's foreign currency ratings are pegged to India's sovereign ceiling, any adverse revision to India's credit rating for international debt will have a corresponding effect on the Bank's ratings. India's sovereign rating could be downgraded due to various factors, including changes in tax or fiscal policy or a decline in India's foreign exchange reserves, which are outside the Issuer's control. On November 16, 2017, Moody's Investor Services raised India's sovereign rating from the lowest investment grade of Baa3 to Baa2, and changed the outlook of Indian economy from "positive" to "stable." However, on November 24, 2017, Standard and Poor's maintained its India rating unchanged at the lowest investment grade of BBB-, with a stable outlook. Going forward, the sovereign ratings outlook will remain dependent on whether the Government is able to transition the economy out of a low-growth and high inflation environment, as well as exercise adequate fiscal restraint. There is no assurance that India's credit ratings will not be downgraded in the future. Any adverse change in India's credit ratings by international rating agencies may adversely impact the Issuer's business and limit its access to capital markets. See "*— A significant change in the Government's policies could adversely affect the Bank's business and the trading price of the Notes*."

If regional hostilities, terrorist attacks or social unrest in some parts of the country increase, the Bank's business and the trading price of the Notes could be adversely affected.

India has from time to time experienced social and civil unrest and hostilities both internally and with neighboring countries. Present relations between India and Pakistan continue to be fragile on the issues of terrorism, armament and the control of Kashmir. In November 2008, several coordinated shooting and bombing attacks occurred across Mumbai, India's financial capital, which resulted in the loss of life, property and business. India has also experienced terrorist attacks in other parts of the country. These hostilities and tensions could lead to political or economic instability in India and a possible adverse effect on the Bank's business, its future financial performance and the trading price of the Notes. Furthermore, India has also experienced social unrest in some parts of the country. If such tensions spread and lead to overall political and economic instability in India, it may adversely affect the Bank's business, future financial performance and the trading price of the Notes.

Natural calamities could adversely affect the Indian economy, the Bank's business and the trading price of the Notes.

India has experienced natural calamities such as earthquakes, floods and droughts in recent years. The extent and severity of these natural disasters determine their impact on the Indian economy. For example, in fiscal year 2015, the agricultural sector was adversely affected by unseasonal rains and hailstorms in northern India in March 2015. As a result, the gross value added, which is the value of output less the value of intermediate consumption, in the agricultural sector increased only 0.2% in fiscal year 2015 as compared to 3.7% growth in fiscal year 2014. In August 2018, severe floods in the state of Kerala also caused significant damage to the agricultural production of the state. However, the occurrence of similar or other natural calamities could have a negative impact on the Indian economy, affecting the Bank's business and potentially causing the trading price of the Notes to decrease.

An outbreak of an infectious disease or any other serious public health concerns in Asia or elsewhere could have an adverse effect on our business and results of operations.

The outbreak of an infectious disease in Asia or elsewhere or any other serious public health concerns could have a negative effect on the economies, financial markets and business activities in the countries from where our raw materials are sourced or in which our end markets are located, which could have an adverse effect on our business. Since 2012, an outbreak of the Middle East Respiratory Syndrome corona virus has affected several countries, primarily in the Middle East. While, Southeast Asia is a hotspot for emerging infectious diseases, including those with pandemic potential. Emerging infectious diseases have exacted heavy public health and economic tolls such as influenza A H5N1 had a profound effect on the poultry industry. The reasons why Southeast Asia is at risk from emerging infectious diseases are complex. The region is home to dynamic systems in which biological, social, ecological, and technological processes interconnect in ways that enable microbes to exploit new ecological niches. These processes include population growth and movement, urbanization, changes in food production, agriculture and land use, water and sanitation, and the effect of health systems through generation of drug resistance.

Nipah virus encephalitis is an emerging infectious disease of public health importance in the WHO South-East Asia Region. Bangladesh and India have reported human cases of Nipah virus encephalitis. Indonesia. India's southern state of Kerala was put under a lot of stress in May 2018 with the most recent Nipah virus outbreak. The Nipah virus, which is carried by Pteropus fruit bats, is a newly emerging zoonotic disease that affects both animals and humans.

Investors in the Notes may not be able to enforce a judgment of a foreign court against the Bank, its directors or executive officers.

The Bank is constituted under an Indian statute, the SBI Act. Substantially all of the Bank's Directors and executive officers and key managerial personnel are residents of India and most of the assets of the Bank and such persons are located in India. As a result, it may not be possible for investors to effect service of process upon the Bank or such persons outside India, or to enforce judgments obtained against such parties in courts outside of India.

Recognition and enforcement of foreign judgments are provided for under Section 13 and Section 44A of the Civil Code on a statutory basis. Section 13 of the Civil Code provides that foreign judgments shall be conclusive as to any matter thereby directly adjudicated upon between the same parties or between parties under whom they or any of them claim litigating under the same title, except: (a) where it has not been pronounced by a court of competent jurisdiction; (b) where it has not been given on the merits of the case; (c) where it appears on the face of the proceedings to be founded on an incorrect view of international law or a refusal to recognize the law of India in cases in which such law is applicable; (d) where the proceedings in which the judgment was obtained are opposed to natural justice; (e) where it has been obtained by fraud; and (f) where it sustains a claim founded on a breach of any law in force in India.

Under the Civil Code, a court in India shall presume, upon the production of any document purporting to be a certified copy of a foreign judgment, that such judgment was pronounced by a court of competent jurisdiction, unless the contrary appears on the record, but such presumption may be displaced by proving want of jurisdiction.

India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. However, Section 44A of the Civil Code provides that where a foreign judgment has been rendered by a superior court, within the meaning of that Section, in any country or territory outside of India which the Government has by notification declared to be a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the relevant court in India. However, Section 44A of the Civil Code is applicable only to monetary decrees not being in the nature of any amounts payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalty and does not include arbitration awards, save and except for any reciprocal arrangement that India has with foreign countries such as Singapore, Malaysia, Canada, and Australia under Section 44(b) of the Arbitration and Conciliation Act of 1996.

The United Kingdom, Singapore and Hong Kong, among others, have been declared by the Government of India to be a "reciprocating territory" for the purposes of Section 44A of the Civil Code, but the United States has not been so declared. A judgment of a court of a country which is not a reciprocating territory may be enforced only by a fresh suit resulting in a judgment or order and not by proceedings in execution. Such a suit has to be filed in India within three years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. A judgment of a superior court of a country which is a reciprocating territory may be enforced by proceedings in execution, and a judgment not of a superior court, by a fresh suit resulting in a judgment or order. The latter suit has to be filed in India within three years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. Execution of a judgment or repatriation outside of India of any amounts received is subject to the approval of the RBI, wherever required. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action were to be brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if that court was of the view that the amount of damages awarded was excessive or inconsistent with public policy, and is uncertain whether an Indian court would enforce foreign judgments that would contravene or violate Indian law.

Significant differences exist between Indian GAAP and other accounting principles, which may be material to investors' assessments of the Bank's financial condition.

The Bank's financial statements, including the financial statements included in this Offering Memorandum, are prepared in accordance with Indian GAAP. The Bank has not attempted to quantify the impact of other accounting principles, such as U.S. GAAP or International Financial Reporting Standards ("**IFRS**"), on the financial data included in this Offering Memorandum, nor does the Bank provide a reconciliation of its financial statements to those prepared pursuant to U.S. GAAP or IFRS.

GAAP and IFRS differ in significant respects from Indian GAAP. Accordingly, the degree to which the Indian GAAP financial statements included in this Offering Memorandum will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices. Persons not familiar with Indian accounting practices should, accordingly, consult their own professional advisors before relying on the financial disclosures presented in this Offering Memorandum.

The Bank's transition to the use of the IFRS converged Indian Accounting Standards may result in changes in the presentation of its financial statements and could result in operational delays and resulting penalties.

On February 16, 2015, the Ministry of Corporate Affairs ("**MCA**") of the Government published the Companies (Indian Accounting Standards) Rules, 2015, which are effective from April 1, 2015, which provides that IFRS converged Indian Accounting Standards ("**IND-AS**") will be mandatorily implemented by the companies specified in the roadmap for the accounting periods beginning on or after April 1, 2016, with the comparatives for the period ended March 31, 2016, or thereafter. However, banking, insurance and non-banking finance companies were exempted from this road map.

On February 11, 2016, the RBI issued a notification for the implementation of IND-AS by banks. Under this notification, all scheduled commercial banks (excluding Regional Rural Banks) was to follow IND-AS as notified under the Companies (Indian Accounting Standards) Rules, 2015, subject to any guideline or direction issued by the RBI in this regard from the accounting periods beginning on or after April 1, 2018 with the comparatives for the period ending March 31, 2018. However, in April 2018, the RBI deferred the implementation of IND-AS for banks by a year, to April 1, 2019. The subsidiaries, joint ventures and associates of such banks shall also follow the road map applicable to banks.

The Bank has not determined with any degree of certainty the impact that such adoption will have on its financial reporting. Furthermore, the new accounting standards will change, among other things, the Bank's methodology for estimating allowances for probable loan losses and for classifying and valuing its investment portfolio and its revenue recognition policy. For estimation of probable loan losses, the new accounting standards may require the Bank to calculate the present value of the expected future cash flows realizable from its loans, including the possible liquidation of collateral (discounted at the loan's effective interest rate). This may result in the Bank recognizing allowances for probable loan losses in the future which may be higher or lower than under current Indian GAAP. Therefore, there can be no assurance that the Bank's financial condition, results of operations, cash flows or changes in shareholders' equity will not appear materially worse under IND-AS than under Indian GAAP. In the Bank's transition to IND-AS reporting, the Bank may encounter difficulties in the ongoing process of implementing and enhancing its management information systems. Moreover, there is increasing competition for the small number of IFRS-experienced accounting personnel available as more Indian companies begin to prepare IND-AS financial statements. Furthermore, there is no significant body of established practice on which to draw in forming judgments regarding the new system's implementation and application. There can be no assurance that the Bank's adoption of IND-AS will not adversely affect its reported results of operations or financial condition and any failure to successfully adopt IND-AS could adversely affect the Bank's business and the trading price of the Notes.

There may be less company information available in the Indian securities markets than securities markets in developed countries.

There may be differences between the level of regulation and monitoring of the Indian securities markets and the activities of investors, brokers and other participants and that of the markets in the United States and other developed countries. The Securities and Exchange Board of India ("**SEBI**") is responsible for approving and improving disclosure and other regulatory standards for the Indian securities markets. SEBI has issued regulations and guidelines on disclosure requirements, insider trading and other matters. There may, however, be less publicly available information about Indian companies than is regularly made available by public companies in developed countries.

A decline in India's foreign exchange reserves may affect liquidity and interest rates in the Indian economy which could adversely impact the banking industry in general. A rapid decrease in reserves may also create a risk of higher interest rates and a consequent slowdown in growth.

A decline in India's foreign exchange reserves may affect liquidity and interest rates in the Indian economy which could adversely impact the banking industry in general. A rapid decrease in reserves may also create a risk of higher interest rates and a consequent slowdown in growth. India's foreign exchange reserves increased from U.S.$341.4 billion as of March 31, 2015 to U.S.$355.6 billion as of March 31, 2016, to U.S.$369.9 billion as of March 31, 2017 and further to U.S.$424.3 billion as of March 31, 2018. As of September 28, 2018, India's foreign exchange reserves were U.S.$400.5 billion. There can, however, be no assurance that India's foreign exchange reserves will continue to increase in the future. An increase in interest rates in the economy following a decline in foreign exchange reserves could adversely affect the Bank's business, its future financial performance and the trading price of the Notes.

New tax laws in India could adversely affect the Bank's business and the trading price of the Notes.

The Government has introduced two major reforms in Indian tax laws, namely the goods and services tax and provisions relating to General Anti-Avoidance Rules ("**GAAR**"). From July 1, 2017, the goods and services tax ("**GST**") replaced the indirect taxes on goods and services such as central excise duty, service tax, customs duty, central sales tax, state VAT, surcharge and cess. While implementation of the new tax appears to have been generally effective, with limited disruption to economic activity, the longer-term effects of the GST remain to be seen.

With respect to GAAR, the provisions came into effect from April 1, 2018. The GAAR provisions intend to cover arrangements that are deemed "impermissible avoidance arrangements," which is any arrangement with the main purpose or one of the main purposes of obtaining a tax benefit and which satisfies at least one of the following tests: (i) create rights, or obligations, which are not ordinarily created between persons dealing at arm's length; (ii) result, directly or indirectly, in misuse, or abuse, of the provisions of the Income Tax Act; (iii) lacks commercial substance or is deemed to lack commercial substance, in whole or in part; or (iv) are entered into, or carried out, by means, or in a manner, which are not ordinarily employed for bona fide purposes. An arrangement shall be presumed, unless it is proved to the contrary by the assesse, to have been entered into, or carried out, for the purpose of obtaining a tax benefit, if the main purpose of a step in or a part of the arrangement is to obtain a tax benefit even if the main purpose of the entire arrangement is not to obtain a tax benefit. Once tax authorities invoke the GAAR provisions, they are given power to deny tax benefit among others. As the taxation system is intended to undergo significant overhaul, its consequent effects cannot be determined, at present with respect to the banking sector. The manner in which these new rules are interpreted and implements and their effects on the Bank's customers and economic activity generally is uncertain. There can be no assurance that such effects would not adversely affect its business, future financial performance and the trading price of the Notes.

SEBI introduced changes to the listing agreement, which may subject the Bank to higher compliance requirements and increase the Bank's compliance costs.

SEBI issued revised corporate governance guidelines under the equity listing agreement which have been effective from October 1, 2014 and April 1, 2015. Pursuant to the revised guidelines, the Bank is required to appoint at least one female director on the Board, establish a mechanism for directors and employees and reconstitute certain committees in accordance with the revised guidelines, among other things. The Bank may face difficulties in complying with any such requirements. Furthermore, the Bank cannot currently determine the impact of provisions of the revised SEBI corporate governance guidelines, which have come into force. Any increase in the Bank's compliance requirements or compliance costs may have an adverse effect on its business, cash flows and results of operations.

The Indian banking sector is subject to external economic forces.

In its latest financial stability report dated June 2018, the RBI highlighted that while the global growth outlook for 2018 remains positive despite some recent softness, spill over risk from advanced financial markets to emerging markets has increased. The tightening of liquidity conditions in the developed markets alongside expansionary U.S. fiscal policy and a strong U.S. dollar have started to adversely impact emerging market currencies, bonds and capital flows. Firming commodity prices, evolving geopolitical developments and rising protectionist sentiments also pose added risks. On the domestic front, economic growth is firming up. However, conditions that buttressed fiscal consolidation, moderation in inflation and a benign current account deficit over the last few years are changing, thereby warranting caution. In particular, structural shifts in the domestic financial markets are altering the pattern of credit intermediation and impacting market interest rates. These developments, while a healthy sign of diversified financing of the economy, call for greater vigilance of the system as a whole in order to safeguard financial stability.

The Indian banking sector, as a whole, has maintained its Capital to Risk (Weighted) Assets Ratio ("**CRAR**") above the regulatory requirement of 9% under the Basel III Guidelines. As of September 30, 2018, the banking system's CRAR decreased to 13.7% from 13.8% as of March 31, 2018. Although the financial conditions in India have put pressure on the asset quality of Indian banks, the banking system has shown improvement. The levels of gross NPA ratio for Indian banks decreased to 10.8% as of September 30, 2018 and the levels of net NPA also decreased to 5.3% as of September 30, 2018, according to the RBI. The stressed asset ratio for the Indian banking sector stood at 11.3% as of September 30, 2018. The level of distress is not uniform across Indian banks but is more pronounced among public sector banks. The public sector banks' gross NPAs were 14.8% as of September 30, 2018, while their stressed asset ratio was 15.4%, which was 4.1% higher than the stressed asset ratio for the Indian banking sector.

The Bank has little or no control over any of these risks or trends and may be unable to anticipate changes in economic conditions. Adverse effects on the Indian banking system could impact the Bank's funding, profitability, asset quality or NPAs and adversely affect the Bank's business growth and, as a result, impact future financial performance and the trading price of the Notes.

Risks relating to the Notes

The Notes may not be a suitable investment for all investors.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Offering Memorandum or any applicable supplement;

- have access to, and knowledge of, the appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;

- understand thoroughly the terms of the Notes and be familiar with the nature of any relevant indices and financial markets; and

- be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes are complex financial instruments and investors may purchase such instruments as a way to manage risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Notes unless it has the expertise (either alone or with a financial advisor) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Notes are legal investments for it, (ii) the Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

The Notes are the Bank's unsecured obligations and will rank effectively subordinated to all of the Bank's present and future secured indebtedness.

The Notes are unsecured obligations, the repayment of which may be jeopardized in certain circumstances.

Because the Notes are unsecured obligations, their repayment may be compromised if:

- the Bank enters into bankruptcy, liquidation, reorganization or other winding-up procedures;
- there is a default in payment under the Bank's future secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of the Bank's indebtedness.

If any of these events occurs, the Bank's assets may not be sufficient to pay amounts due on any of the Notes.

Payment of principal of the Notes may be accelerated only in certain events involving the Bank's bankruptcy, winding-up or dissolution or similar events, or if certain conditions have been satisfied.

The Notes are not guaranteed by the Republic of India.

The Notes are not the obligations of, or guaranteed by, the Government. Although as of the date of this Offering Memorandum, the Government owned 57.69% of the Bank's issued share capital, the Government is not providing a guarantee in respect of the Notes. In addition, the Government is under no obligation to maintain the solvency of the Bank. Therefore, investors should not rely on the Government ensuring that the Bank fulfills its obligations under the Notes.

An active trading market for the Notes may not develop.

The Notes constitute a new issue of securities for which there is no existing market. Application will be made to list the Notes on the official list of the SGX-ST. Application has been made to list the Notes on the INX. There can be no assurance as to the liquidity of the Notes or that an active trading market will develop. If such a market were to develop, the Notes may trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Bank's operations and the market for similar securities. The Initial Subscribers are not obliged to make a market in the Notes and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Initial Subscribers. No assurance can be given as to the liquidity of, or trading market for, the Notes.

Investment in the Notes may subject investors to foreign exchange risks.

The Notes are denominated and payable in U.S. dollars. If an investor measures its investment returns by reference to a currency other than U.S. dollars, an investment in the Notes entails foreign exchange-related risks, including possible significant changes in the value of the U.S. dollar relative to the currency by reference to which an investor measures its investment returns, due to, among other things, economic, political and other factors over which the Bank has no control. Depreciation of the dollar against such currency could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss when the return on the Notes is translated into such currency. In addition, there may be tax consequences for investors as a result of any foreign exchange gains resulting from any investment in the Notes.

The Bank is not prohibited from issuing further debt which may rank pari passu with the Notes.

There is no restriction on the amount of debt securities that the Bank may issue that rank *pari passu* with the Notes. The issue of any such debt securities may reduce the amount recoverable by investors in the Notes upon the Bank's bankruptcy, winding-up or liquidation. As of September 30, 2018, the Bank had Rs. 2,035.52 billion of outstanding borrowings (debts) that rank *pari passu* with the Notes.

Noteholders' right to receive payments is junior to certain tax and other liabilities preferred by law.

The Notes will be subordinated to certain liabilities preferred by law such as to claims of the Government on account of taxes, and certain liabilities incurred in the ordinary course of the Bank's trading or banking transactions. In particular, in the event of bankruptcy, liquidation or winding-up, the Bank's assets will be available to pay obligations on the Notes only after all of those liabilities that rank senior to such Notes have been paid. In the event of bankruptcy, liquidation or winding-up, there may not be sufficient assets remaining, after paying amounts relating to these proceedings, to pay amounts due on the Notes.

A downgrade in ratings may affect the trading price of the Notes.

The Notes have been rated "Baa 2" by Moody's, "BBB-" by S&P and "BBB-" by Fitch. The ratings do not reflect the Bank's ability to make timely payments of principal and interest on senior unsecured debts. A rating is not a recommendation to buy, sell or hold any security, does not address the likelihood or timing of repayment of the Notes and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization. There can be no assurance that the ratings assigned to it or the Notes will remain in effect for any given period or that the ratings will not be revised by the rating agencies in the future if, in their judgment, circumstances so warrant. A downgrade in ratings may affect the trading price of the Notes.

The Notes are subject to transfer restrictions.

The Notes will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States except to QIBs in reliance on the exemption from the registration requirement of the Securities Act provided by Rule 144A, and may be offered and sold only to certain persons in offshore transactions in reliance on Regulation S, or pursuant to another exemption from, or in another transaction not subject to, the registration requirements of the Securities Act and in accordance with applicable state securities laws. For a further discussion of the transfer restrictions applicable to the Notes, see "*Transfer Restrictions.*"

The Notes are governed by English law, which is subject to change.

The terms and conditions of the Notes are governed by English law. No assurance can be given as to the impact of any possible judicial decision or change in English law or administrative practice after the date of the issue of this Offering Memorandum and any such change could materially adversely impact the value of any Notes affected by it.

Decisions may be made on behalf of all Noteholders that may be adverse to the interests of individual Noteholders.

The terms and conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

Payments under the Notes may be subject to RBI guidelines regarding remittances of funds outside India.

If the Bank is unable to make payments with respect to the Notes from its overseas branches and instead makes payments from India, such payments shall be subject to RBI regulations governing the remittance of funds outside of India. The Bank is under no obligation to maintain liquidity at its overseas branches to make interest payments due on the Notes. Any approval for the remittance of funds outside of India is at the discretion of the RBI and the Authorised Dealer Category — I banks, as the case may be, and the Bank can give no assurance that it will be able to obtain such approvals.

Interests in Global Notes can only be held through a clearing system.

Because transfers of interests in the Global Note Certificates can be effected only through book entries at Euroclear, Clearstream, Luxembourg and/or DTC (as applicable) for the accounts of their respective participants, the liquidity of any secondary market for investments in the Global Note Certificates may be reduced to the extent that some investors are unwilling to invest in notes held in book-entry form in the name of a participant in Euroclear, Clearstream, Luxembourg or DTC, as applicable. The ability to pledge interests in the Notes may be limited due to the lack of a physical certificate. Beneficial owners of Global Note Certificates may, in certain cases, experience a delay in the receipt of payments of principal or interest since such payments will be forwarded by the paying agent to Clearstream, Euroclear or DTC, as applicable, who will then forward payment to their respective participants, who (if not themselves the beneficial owners) will thereafter forward the payments to the beneficial owners of the interests in the Global Note Certificates. In the event of the insolvency of Euroclear, Clearstream, DTC or any of their respective participants in whose name interests in the Notes are recorded, the ability of beneficial owners to obtain timely or ultimate payment of principal and interest on the Notes may be impaired.

Noteholders are required to rely on the procedures of the relevant clearing system and its participants while the Notes are cleared through the relevant clearing system.

The Notes are represented by one or more Global Note Certificates that may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or may be deposited with a nominee for DTC. Except in the circumstances described in each Global Note Certificate, investors will not be entitled to receive Notes in definitive form. Each of DTC, Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Note held through it. While the Notes are represented by a Global Note Certificate, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While the Notes are represented by Global Note Certificates, the Bank will discharge its payment obligation under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note Certificate must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The Bank has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note.

Holders of beneficial interests in a Global Note Certificates will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

If definitive Note Certificates are issued, holders should be aware that definitive Note Certificates that have a denomination that is not an integral multiple of the minimum denominations may be illiquid and difficult to trade.

USE OF PROCEEDS

The net proceeds from the sale of the Notes will be approximately U.S.$1,247.1 million (after deducting fees and selling commissions, but not certain other customary expenses incurred in connection with the Offering) which the Bank intends to use for general corporate purposes in accordance with applicable law.

EXCHANGE RATES

Although certain Rupee amounts in this Offering Memorandum have been translated into U.S. dollars for convenience, this does not mean that the Rupee amounts referred to could have been, or could be, converted into U.S. dollars at any particular rate, at the rates stated below, or at all. Except as otherwise stated in this Offering Memorandum, all translations from Indian Rupees to U.S. dollars as of and for the six months ended September 30, 2018 are based on the reference exchange rate published by the FBIL, which is a widely followed benchmark of foreign exchange rates in India. For September 28, 2018, the exchange rate was Rs. 72.55 per U.S.$1.00. For comparison purposes, the exchange rate as set forth in the H.10 statistical release of the United States Federal Reserve Board as of September 28, 2018 was U.S.$1.00 = Rs. 72.54.

The following table sets forth, for the periods indicated, certain information concerning the exchange rates between Indian Rupees and U.S. dollars. The exchange rates reflect the rates as reported by the RBI.

Exchange Rate — Rs. Per U.S.$

Period	End(1)	Average(2)	High	Low
Fiscal Year ended March 31, 2014	60.10	60.94	68.36	53.74
Fiscal Year ended March 31, 2015	62.59	61.22	63.75	58.43
Fiscal Year ended March 31, 2016	66.33	65.69	68.78	62.16
Fiscal Year ended March 31, 2017	64.84	67.06	68.72	64.84
Fiscal Year ended March 31, 2018	65.04	64.49	65.76	63.35

Source: RBI

Notes:

(1) The exchange rate at each period end and the average rate for each period differ from the exchange rates used in the preparation of the Bank's financial statements and financial information.

(2) For full year averages, represents the average of the exchange rate on the last day of each month during the period; for month averages, represents the daily exchange rate average.

The exchange rate on September 28, 2018 as reported by the FBIL was Rs. 72.55 per U.S.$1.00.

CAPITALIZATION

The following table sets forth the indebtedness and capitalization of the Bank (i) as of September 30, 2018, which has been reviewed by the statutory auditors and (ii) as adjusted to give effect to the issuance of the Notes, but before the application of the proceeds therefrom. This table should be read in conjunction with the Bank's unaudited and reviewed financial statements as of September 30, 2018 and the schedules and notes thereto presented elsewhere herein.

	As of September 30, 2018			
	Actual		As adjusted	
	(Rs. in millions)	(U.S.$ in millions[1])	(Rs. in millions)	(U.S.$ in millions[1])
Short-term liabilities				
Deposits due to banks[2]	48,057.3	662.4	48,057.3	662.4
Other deposits[2]	1,734,419.1	23,907.4	1,734,419.1	23,907.4
Demand liabilities	10,608,596.8	146,229.8	10,608,596.8	146,229.8
Total	12,391,073.2	170,799.7	12,391,073.2	170,799.7
Long-term liabilities				
Term deposits[3]	15,683,127.8	216,177.7	15,683,127.8	216,177.7
Other liabilities[4]	1,254,545.6	17,292.8	1,254,545.6	17,292.8
Total	16,937,673.4	233,470.4	16,937,673.4	233,470.4
Borrowings [5]				
Borrowings	3,346,959.2	46,134.8	3,346,959.2	46,134.8
Notes offered hereby	—	—	90,688.0	1,250.0
Total	3,346,959.2	46,134.8	3,437,647.2	47,385.0
Total [6]	32,675,705.8	450,404.9	32,766,394.0	451,639.0
Shareholders' funds				
Share capital[7]	8,924.6	123.0	8,924.6	123.0
Reserves and surplus	2,171,092.5	29,926.5	2,171,092.5	29,926.5
Total shareholders' funds	2,180,017.0	30,049.6	2,180,017.0	30,049.6
Total capitalization [8]	34,855,722.9	480,454.5	34,946,411.0	481,687.3
Capital Adequacy Ratio (Basel III including retained profit))				
Tier I	10.36[9]		10.36[9]	
Tier II	2.25[9]		2.25[9]	
Total Capital Adequacy Ratio	12.61[9]		12.61[9]	

Notes:

(1) For the reader's convenience, U.S. dollar translations of Indian Rupee amounts have been provided based on the FBIL reference exchange rate of U.S.$1.00 = Rs. 72.55 as of September 28, 2018.

(2) Excluding term deposits.

(3) Including current portion of term deposits.

(4) Including interest accrued, provisions, and contingencies and other liabilities which have not been segregated as short-term or long-term.

(5) Borrowings include short-term and long-term borrowings.

(6) Represents the sum of short-term liabilities, long-term liabilities and borrowings.

(7) As of September 30, 2018, there were 50,000,000,000 authorized and 8,924,587,534 outstanding and fully paid shares of Rs. 1.0 each.

(8) Represents the sum of short-term liabilities, long-term liabilities, borrowings and shareholders' funds.

(9) The Bank's Basel III capital adequacy ratios (without including retained profit) as of September 30, 2018 are adjusted for (a) as per the RBI Basel III guidelines, and (b) the issuance of the Notes, but before application of the proceeds therefrom. The Bank's capital adequacy ratio as of September 30, 2018 adjusted for as per the RBI Basel III guidelines, but before application of the proceeds therefrom, were as follows; (i) the Bank's Tier I capital adequacy ratio (without including retained profits) was 10.36% as of September 30, 2018; (ii) the Bank's Tier II capital adequacy ratio (without including retained profits) was 2.25% as of September 30, 2018; and (iii) the Bank's total capital adequacy ratio (without including retained profits) was 12.61% as of September 30, 2018.

The Group's contingent liabilities were approximately Rs. 11,595.8 billion as of September 30, 2018 and Rs. 11,663.4 billion as of March 31, 2018.

Except as described above, there has been no material change to the Bank's capitalization or indebtedness since September 30, 2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the Bank's financial condition and results of operations is based on the Bank's standalone and the Group's consolidated financial statements. This discussion should be read together with the Group's "Selected Financial and Operating Data," the Bank's "Selected Statistical Information" and the Bank's standalone and the Group's consolidated financial statements included elsewhere in this Offering Memorandum, which were prepared in accordance with prevailing practices within the banking industry in India and Indian GAAP, which differs in certain respects from U.S. GAAP. See also "Description of Certain Differences between Indian GAAP and U.S. GAAP." Financial information in this section is presented on a consolidated basis unless otherwise indicated.

Overview

The Bank is India's largest bank, with 22,311 branches in India, 209 international offices in 35 countries and more than 429 million customer accounts as of September 30, 2018. The Group had deposits, advances and a total assets base of Rs. 28,391.2 billion, Rs. 19,949.7 billion and Rs. 36,701.8 billion, respectively, as of September 30, 2018 and of Rs. 27,221.8 billion, Rs. 19,601.2 billion and Rs. 36,164.3 billion, respectively, as of March 31, 2018, the largest by each measure among banking institutions in India. As of September 30, 2017 and 2018, the Bank's market share of aggregate deposits was 23.2% and 22.3%, respectively, and the Bank's market share of domestic advances was 20.0% and 19.6%, respectively, among all RBI-scheduled commercial banks in India, based on the RBI data.

The Government of India is the majority shareholder of the Bank, owning 57.7% of the Bank's issued shares as at September 30, 2018. The Bank's shares are listed on the Bombay Stock Exchange ("**BSE**") and the National Stock Exchange of India ("**NSE**") and its global depositary receipts are listed on the London Stock Exchange. As of December 31, 2018, the Bank had a market capitalization of approximately Rs. 2,640.8 billion.

The Bank organizes its client relationships, marketing and product development, as well as non-customer facing activities, through its principal business groups. The Bank's business groups are as follows:

- The Corporate Accounts Group, which provides corporate banking services to corporations and institutions based on quality (external or internal rating) of the account, the potential to do business, and the client's reputation or strategic importance, to focus on the highest priority and quality individual and group relationships with differentiated coverage.

- The Commercial Clients Group, which provides corporate banking services to corporations and institutions other than having relationship with Corporate Accounts Group and enjoying credit facilities of more than Rs. 0.5 billion.

- The International Banking Group, which through its international branches, subsidiaries, representative offices and joint ventures, provides a range of international banking services to Indian and foreign companies with operations within and outside India, non-resident Indians in international markets, as well as the local population in such jurisdictions.

- The Global Markets Group, which is responsible for the Bank's treasury functions, managing domestic liquidity, its investment portfolio and foreign currency exposure. The Global Markets Group also provides foreign exchange and risk hedging derivative products.

- The Stressed Assets Resolution Group, which works as a dedicated and specialized vertical for efficient resolution of high value NPAs transferred to it by other verticals by formulating suitable measures including initiating hard recovery measures, in accordance with applicable policies stipulated by the Bank's credit policy and procedures committee

The range of products and services offered by the Bank includes loans, advances and deposits (both retail and wholesale), foreign exchange and derivatives products, retail lending and deposits, fee-and commission-based products and services, as well as alternative payment products. The Bank is also present, through its subsidiaries and joint ventures, in diverse segments of the Indian financial sector, including asset management, investment banking, factoring and commercial services, treasury operations, credit cards, payment services, life insurance and general insurance. See "*— Subsidiaries and Joint Ventures in India — Non-Bank Subsidiaries and Joint Ventures.*"

The Group comprises both banking and non-banking operations. Banking operations are the largest part of the Group in terms of total assets and net profit, representing 95.0% of the Group's total assets as of September 30, 2018. The Group also conducts operations outside India, both through branches operated by the Bank's International Banking Group and through subsidiaries, associates, joint ventures and investments outside India.

For fiscal year 2018, the Group's net loss amounted to Rs. 45.6 billion, a decrease of Rs. 48.0 billion from a profit of Rs. 2.4 billion for fiscal year 2017, which in turn was a decrease of Rs. 119.8 billion, or 98.0%, from Rs. 122.3 billion for fiscal year 2016. For the six months ended September 30, 2018, the Group's net loss amounted to Rs. 36.5 billion.

The Bank did not pay dividends for the year ended March 31, 2018. The Bank paid a dividend of Rs. 24.2 billion and Rs. 23.5 billion for the years ended March 31, 2017 and 2016, respectively.

Factors Affecting Results of Operations and Financial Condition

The Bank's asset portfolio, financial condition and results of operations have been, and are expected to be, influenced by numerous factors, including those described below. These factors are expected to affect the overall growth prospects of the Bank including its ability to expand its deposit base, the quality of its assets, the level of credit disbursed by the Bank, the value of its asset portfolio and its ability to implement its strategy.

Macroeconomic conditions

Global Environment

Macroeconomic policy stability, gross domestic product ("**GDP**") growth, inflation and interest rates are macroeconomic variables that most directly affect the Bank's performance.

The rate of growth of activity in the Indian economy, reflected in the measure of GDP growth, is a fundamental driver of the Bank's business. When GDP growth is low or negative, the demand for credit falls and poor business conditions may negatively affect the ability of the Bank's borrowers to repay loans, generating credit losses and increasing provisions that the Bank needs to hold, thereby negatively affecting the Bank's profitability. See "— Asset Quality." On the contrary, in a growing economy as expressed by positive GDP growth, the demand for credit is higher and credit quality generally improves, provided lending standards are maintained. India's GDP grew by 8.2% during the Bank's fiscal year 2016, 7.1% in fiscal year 2017 and 6.7% in fiscal year 2018. The RBI forecasts GDP growth to further strengthen to 7.4% in fiscal year 2019.

In recent years, the European sovereign debt crisis has led to renewed concerns of global financial stability and increased volatility in debt and equity markets. The significant decrease in oil prices, substantial fluctuations in the currency markets, the referendum in Britain to leave the EU and an economic slowdown in China have led to renewed concerns for global financial stability and increased volatility in debt and equity markets. A continuation of such condition may result in a slowdown in India's export growth momentum and would also risk a slowdown in foreign funds inflows from foreign direct investments as well as foreign institutional investments. Ongoing tension in U.S.-China trade relations has posed challenges to emerging markets, such as the weakening of the emerging market countries' currencies against the U.S. dollar. These and other factors have had a significant impact on the credit and financial markets of India, and on the Bank's activities.

Growth Environment

As a bank with the vast majority of its operations in India, the Bank's financial position and results of operations have been and will continue to be significantly affected by overall economic growth patterns in India. In fiscal year 2018, the economic environment in India was characterized by two distinct phases owing to the transition to the goods and services tax system from July 1, 2017. While economic activities slowed down during the transition in the first half of fiscal year 2018, there was an improvement in economic growth during the latter part of the fiscal year. India's gross domestic product grew by 6.7% for the full fiscal year 2018, with growth in the second half of fiscal year 2018, higher at 7.4%. During the first quarter of fiscal year 2019, GDP growth increased to 8.2% although it subsequently decelerated to 7.1% in the second quarter of fiscal year 2019.

Official interest rates as set by the RBI have a significant direct effect on the Bank's business because they affect the Bank's cost of funding. They also have an indirect effect as official rates flow through to the interest rates charged by commercial lenders, which can affect the profitability and financial health of existing businesses as well as levels of investment and overall economic activity. See "*—Interest rates and allocation of funds—interest rates*" below for more information.

The growth trends in banking, deposit and credit in fiscal year 2018 reflected the impact of the surge in deposits and the slowdown in credit during fiscal year 2017. During fiscal year 2018, the deposit growth in the banking system slowed down year-on-year from 11.3% to 6.2%. There was a net increase of Rs 6.7 trillion in total deposits in the banking system during fiscal year 2018. Growth in demand deposits slowed down from 18.9% year-on-year at March 31, 2017 to 6.9% at March 31, 2018. Term deposit growth slowed down from 10.3% year-on-year at March 31, 2017 to 6.1% at March 30, 2018. Non-food credit growth picked up gradually during fiscal year 2018 to 10.2% year-on-year at March 30, 2018 compared to a growth of 5.2% at March 31, 2017. Based on sector-wise credit deployment data, credit growth in the services sector was 13.8%, retail 17.8%, agriculture 3.8% and industry 0.7% year-on-year at March 30, 2018.

As of September 30, 2018, on a year-on-year basis, aggregate deposits grew by 8.4%, or Rs. 8,817 billion, as compared to the year ended September 30, 2017 of 8.2%, or Rs. 8,239 billion, and advances grew by 13.1%, or Rs. 9,990 billion, as compared to year ended September 30, 2017 of 6.5%, or Rs. 4,886 billion. The sectoral data as of September 30, 2018 indicated that the sectors are showing a positive growth in credit. Most of the credit off-take occurred with the non-banking finance companies and large corporate business segments. Credit growth to 'infrastructure', 'textiles', 'chemical and chemical products' and 'all engineering' accelerated. However, credit growth to 'basic metal & metal product', 'cement & cement products', 'gems & jewellery' and 'paper & paper products' contracted.

Fiscal policy

Since 2009, the Government and the RBI has taken various fiscal and monetary policy measures to address the impact of any global and domestic economic conditions. Since 2014, the Central Government's focus has been on fiscal consolidation. The Government's focus on fiscal consolidation has helped bring down India's deficit to 4.5% in fiscal year 2014, 4.1% in fiscal year 2015 and further down to 3.9% in fiscal year 2016. The deficit in fiscal year 2017 was reduced to 3.5% of GDP and remained constant in fiscal year 2018. The Government has reaffirmed its commitment to fiscal consolidation and accordingly the budget for fiscal year 2019 has projected the deficit at 3.3% of GDP.

In October 2017, the Government announced a two-pillar stimulus package for the economy: the first encompassed a capital injection of Rs. 2.1 trillion over 2018 and 2019 to support the banking system and the second consisting of plans to invest Rs. 7.0 trillion in infrastructure including 83,000 kilometers of roads by 2022.

Health of the Indian banking sector

The banking system in India has experienced a period of stress with regard to corporate asset quality. According to the RBI's June 2018 Financial Stability Report, the gross non-performing assets ("**NPA**") ratio for the banking system increased from 7.8% at March 31, 2016 to 9.6% at March 31, 2017 and further to 11.6% at March 31, 2018. Total stressed loans (defined as nonperforming loans and standard restructured advances) for the banking system increased from 11.7% at March 31, 2016 to 12.5% at March 31, 2018. In October 2017, the Government announced a recapitalization package of Rs. 2.1 trillion for public sector banks. The recapitalization package included budgetary provisions of Rs. 181.4 billion, recapitalization bonds of Rs. 1.4 trillion and capital raising by banks. During fiscal year 2018, the Government injected over Rs. 880.0 billion of capital in public sector banks.

The RBI's December 2018 Financial Stability Report showed improvement in Indian banks' asset quality, with the gross NPA ratio for the banking system declining from 11.5% in in March 2018 to 10.8% in September 2018. Stress test results from the December 2018 Financial Stability Report suggested further improvement in the banking sector's gross NPA ratio. The December 2018 Financial Stability Report also pointed out a steady decline in the restructured standard advances ratio in September 2018 to 0.5% following the withdrawal of various restructuring schemes in February 2018, suggesting the increasing shift of the restructured advances to the NPA category. Banks' share in credit provisions to the commercial sector also increased sharply in 2017-2018 which the December 2018 Financial Stability Report noted is probably attributable to the large recapitalization of public sector banks undertaking during fiscal year 2018.

Government policies and regulations

The Indian banking industry is regulated by the RBI and operates within a framework that provides guidelines on capital adequacy, corporate governance, management, anti-money laundering and provisioning for NPAs. In addition, RBI's framework stipulates required levels of lending to "priority sectors," such as agriculture, which exposes the Bank to higher levels of risk than it otherwise might face. The RBI can alter any of these policies at any time and can introduce new regulations to control any particular line of business. See "*Regulations and Supervision — The RBI and its Regulations*."

Key recent regulatory developments that may affect the Bank's results of operations include:

- The RBI's deferral of the implementation of Indian Accounting Standards ("**Ind AS**"), which largely conforms the Indian accounting standards to International Financial Reporting Standards, for banks by one year from April 1, 2018 to April 1, 2019.

- In February 2018, the RBI announced a revised framework for the resolution of stressed assets aimed at time-bound resolution of non-performing and stressed borrowers. The framework withdrew the earlier resolution schemes (including the related stand-still benefits in asset classification of borrower accounts) like the Strategic Debt Restructuring, Change in Ownership of Borrowing Entities Outside Strategic Debt Restructuring Scheme and the Scheme for Sustainable Structuring of Stressed Assets. The guideline also requires commencement of proceedings under the Insolvency and Bankruptcy Code in respect of borrowers where a resolution satisfying specified criteria could not be achieved within a prescribed timeframe. According to the guidelines, banks would have to implement a resolution plan within 180 days in respect of any overdue account where aggregate exposure of the lenders is Rs. 20.0 billion or more and is in default on or after March 1, 2018. For any default in a borrower account after March 1, 2018, the resolution plan would have to be implemented within 180 days from the first instance of default by the borrower. In the event the resolution plan is not implemented within the stipulated timeline, the borrower would have to be referred to the National Company Law Tribunal under the Insolvency and Bankruptcy Code. The resolution plan should necessarily have a minimum credit rating from one or two rating agencies depending on the size of exposure. The earlier schemes of regulatory forbearance including Strategic Debt Restructuring, Change in Ownership of Borrowing Entities Outside Strategic Debt Restructuring and the Scheme for Sustainable Structuring of Stressed Assets were withdrawn and the Joint Lenders' Forum — a committee formed by banks to explore options for resolutions — was discontinued. The guidelines withdrew the standstill benefit for classification of borrower accounts and resulted in banks, including the Bank, classifying assets under the resolution schemes of the RBI as non-performing on an accelerated basis. The impact of these measures on the corporate and banking sectors is uncertain.

- In view of the sharp increase in Government bond yields during the second half of fiscal year 2018, the RBI allowed banks to spread provisioning for mark-to market losses on investments held in the available-for-sale and held-for-trading categories for the quarters ended December 31, 2017 and March 31, 2018 equally over up to four quarters, commencing with the quarter in which the loss is incurred.

- With regard to reserve requirements to be held by banks, the cash reserve ratio was maintained at 4.0% of net demand and time liabilities during fiscal year 2018. The statutory liquidity ratio was reduced by 100 basis points with a 50 basis points reduction from 20.5% of net demand and time liabilities to 20.0% effective from the fortnight of June 24, 2017 and a further 50 basis points reduction to 19.5% of net demand and time liabilities from the fortnight starting October 14, 2017. The RBI also reduced the ceiling on statutory liquidity ratio holdings under the held-to-maturity category from 20.5% to 20.0% by December 2017 and further to 19.5% by March 31, 2018.

- With the aim of building adequate reserves to protect against sudden increase in yields, the RBI advised banks to create an Investment Fluctuation Reserve from fiscal year 2019. A minimum amount equal to either the net profit on sale of investments during the year or net profit for the year excluding mandatory appropriations, whichever is lower, would have to be transferred to the Investment Fluctuation Reserve. The amount in the Investment Fluctuation Reserve should cover at least 2.0% of the held-for-trading and available-for-sale portfolio, on a continuing basis. Where feasible, this requirement should be achieved within a period of three years. The Investment Fluctuation Reserve would be eligible for inclusion in tier 2 capital. In case the balance in the Investment Fluctuation Reserve is in excess of the minimum requirement of 2.0% of the held-for-trading and available-for-sale portfolio, banks can drawdown the excess amount at the end of the accounting year. If the balance is less than the minimum requirement, drawdown would be permitted only on meeting the minimum common equity tier 1/tier 1 capital requirements but cannot exceed the extent by which mark-to-market provisions surpass the net profit on sale of investments during the year.

Asset Quality

The quality of the Bank's portfolio of loan assets, in other words, the likelihood that the Bank's loans will be repaid in full and on time, is a fundamental driver of the Bank's financial performance. The Bank uses a range of tools to monitor and account for the effect of loans that may not be repaid. In accordance with RBI guidelines, loans are classified as either performing or non-performing, and become non-NPAs where:

- In respect of term loans, interest and/or instalment of principal remains overdue for a period of more than 90 days;

- In respect of Overdraft or Cash Credit advances, the account remains “out of order”, i.e. if the outstanding balance exceeds the sanctioned limit drawing power continuously for a period of 90 days, or if there are no credits continuously for 90 days as on the date of balance sheet, or if the credits are not adequate to cover the interest debited during the same period;

- In respect of bills purchased/discounted, the bill remains overdue for a period of more than 90 days;

- In respect of agricultural advances: (a) for short duration crops, where the instalment of principal or interest remains overdue for two crop seasons; and (b) for long duration crops, where the principal or interest remains overdue for one crop season.

Under the RBI guidelines, NPAs are further classified into “Sub-Standard”, “Doubtful” and “Loss” assets based on the age of arrears and whether actual loss has been identified.

The Bank’s primary measure of its asset quality is its NPA ratio, which is the value of NPAs as a percentage of the Bank’s total loans. The Bank measures the NPA ratio on a gross basis and on a net basis, being the ratio of NPAs less provisions as a percentage of total loans. As of March 31, 2016, 2017 and 2018 and September 31, 2018, the Bank’s gross NPA ratio was 6.50%, 6.90%, 10.91% and 9.95%, respectively, and the Bank’s net NPA ratio was 3.81%, 3.71%, 5.73% and 4.84%, respectively.

The Bank’s level of NPAs has been high in recent years due to a range of factors, including stress in a number of highly leveraged sectors of the Indian economy, including steel, power generation, infrastructure, textiles, telecommunications, sugar and aviation. In addition, in recent years, RBI guidance has imposed greater focus and stricter standards on identifying and disclosing NPAs. Finally, the Bank’s level of NPAs has increased as a result of the merger of the Associated Banks in 2017, which added Rs. 65.5 billion of NPAs to the Bank’s portfolio.

The Bank’s level of NPAs directly affects its profitability, primarily through the provisions the Bank recognizes to account for the estimated losses it expects to incur on those loans assets. These provisions are recorded on the Bank’s profit and loss account for the period in which they are incurred, reducing the Bank’s profit. The RBI requires banks to apply minimum provisioning requirements across their portfolio of NPAs, which take into account the classification of the NPA and whether or not it is secured. The Bank applies these guidelines, as well as any stricter requirements in the foreign jurisdictions in which it operates. In addition, the Bank may make additional specific provisions where it believes they are required to reflect anticipated losses.

The Bank’s overall level of provisioning for NPAs is reflected in its “provisioning coverage ratio”, which is the value of the provisions it is carrying as a percentage of the total face value of the associated NPAs. The RBI guidelines require banks to disclose the provisioning coverage ratio in the notes to their financial statements. The Bank had a provisioning coverage ratio of 70.74%, 66.17%, 65.95% and 60.69% as of September 30, 2018, March 31, 2018, 2017 and 2016, respectively. See “*Risk Factors — Risks Relating to the Bank’s Business — An increase in the Bank’s portfolio of NPAs and provisioning requirements may adversely affect its business.*”

The RBI has substantially expanded its guidance relating to the identification and classification of NPAs over the last couple of years, which has resulted in an increase in the Bank’s loans classified as non-performing and an increase in provisions. Nevertheless, these provisions may not be adequate to cover further increases in the amount of non-performing loans or further deterioration in the Bank’s non-performing loan portfolio. In addition, the RBI’s annual supervisory process may assess higher provisions than the Bank has made.

In addition to provisions for non-performing loans, the Bank may also incur losses as a result of investments the Bank makes. In recent periods, increases in yields on global and domestic bonds have resulted in significant mark-to-market losses on the carrying value such assets, increasing the Bank’s provisions for depreciation on investment assets.

Interest rates and allocation of funds

Interest income has historically been the most significant component of the Bank's revenue. For the six months ended September 30, 2017 and 2018, net interest income for the Bank was Rs. 361.9 billion and Rs. 427.0 billion, respectively, representing 60.1% and 72.7%, respectively, of the Bank's operating income. For fiscal year 2016, fiscal year 2017 and fiscal year 2018, net interest income for the Bank was Rs. 572.0 billion, Rs. 618.6 billion and Rs. 748.5 billion, respectively, representing 67.3%, 63.6% and 62.7%, respectively, of the Bank's operating income. Net interest income is the difference between the total interest earned on interest-earning assets and the total interest paid on interest-bearing liabilities. The Bank's net interest income is dependent on a number of factors including the general prevailing level of interest rates, its ability to allocate its funds to assets that provide high interest rates and its cost of funding.

Interest rates

Official interest rates in India are set by the Monetary Policy Committee ("**MPC**") of the RBI, which has a mandate from the Government to target an inflation rate of 4.0%, with a tolerance of 2.0% higher or lower, while keeping in mind the objective of growth. The MPC generally meets bi-monthly.

Between January 2014, when the policy repo rate reached 8.00% and August 2017, when the policy repo rate was set at 6.00%, official interest rates were generally on an easing trajectory. In response to emerging inflationary pressures, the MPC raised the repo rate to 6.25% in June 2018 and raised it again in August 2018 to 6.50%. The current stance of the MPC with respect to its future actions is neutral, with a focus on managing inflation at close to the mandated target of 4.0% on a sustainable basis.

The majority of the Bank's corporate and commercial loans are priced at a floating rate based on the RBI lending rates, subject to a published minimum base rate. Indian banks generally follow the direction of interest rates set by the RBI and adjust both their deposit rates and lending rates upwards or downwards accordingly, subject to a published minimum base rate. Decreases in the RBI policy rates would signal the Bank and other Indian banks to re-examine their base rate and lending rates and could affect net interest income despite supporting loan growth and NPA reduction. Conversely, increases in the RBI policy rates could affect the ability of potential borrowers to take out loans despite partly mitigating higher deposit costs. See "*Risk Factors — Risks Relating to the Bank's Business — The Bank's business is particularly vulnerable to interest rate risk, and volatility in interest rates could adversely affect its net interest margin, the value of its fixed income portfolio, its income from treasury operations and its financial performance*."

Cost of funding

The Bank's broad reach across India and strong brand and reputation, coupled with India's rising household incomes, enables the Bank to rely on deposits as a primary means of accessing low cost funding for its lending activities. As at September 30, 2018, the Bank held total deposits worth Rs. 27,099.0 billion with an average cost of 5.1% per annum for the six months ended September 30, 2018. The market to attract deposits is competitive, and the Bank must compete with both private banks and other public sector banks on factors such as interest rates offered and customer service in order to attract and retain deposits.

Deposits in current and savings accounts (known as "**CASA deposits**") attract lower rates of interest and are therefore a particularly low cost form of funding. The Bank monitors a measure known as its "CASA ratio", which is the ratio of CASA deposits to all domestic deposits (including interbank). A higher CASA ratio generally indicates a lower average cost of deposits.

In addition to deposits, the Bank raises funds through the issuance and sale of debt and equity securities in domestic and international capital markets. The availability and cost of capital markets funding fluctuates according to perceptions of the Bank's future performance and creditworthiness as well as factors over which the Bank has no control, such as the amount of liquidity available in domestic and global capital markets and macro-economic factors. In order to meet the levels of capital required by regulations, including the Basel III requirements, from time to time, the Bank issues regulatory capital instruments such as Additional Tier 1 and Tier 2 instruments. Because these instruments are subordinate to senior debt and may have other features that result in them absorbing losses ahead of other creditors in a stress situation, the cost of such funding may be more expensive than other types of capital markets instruments.

Allocation of funds

The Bank's ability to take advantage of increases in the RBI lending rates depends largely on its loan volume. Growth in the Indian economy has led to increased demand for funding across many sectors of the economy. This growth has contributed to the Bank's ability to reallocate its funds from Government securities to loans, which offer the Bank higher returns. However, asset mix also has an effect on profitability as the Bank's loans bear different interest rates reflecting different credit ratings. For example, net interest income increases to the extent that the Bank increases the proportion of consumer loans in its portfolio, which generally bear a higher interest rate than other loans, but decreases to the extent that the Bank increases the proportion of international loans, which generally bear a lower interest rate than domestic loans. If the volume of the Bank's loans decreases due to a general slowdown in the economy, increased competition or other factors, the Bank's net interest income will decrease as well. In addition, the Bank seeks to allocate its funds in the optimum manner at any point of time depending on its liquidity and the prevailing interest rates. As a result of the Bank's well diversified loan book, a decrease in interest income earned in one of the Bank's segments such as corporate loans may be offset by the income earned on its home loans and Consumer Loans portfolio.

Operating expenses

The level of the Bank's operating expenses has a bearing on its profitability. Staff costs comprise a significant proportion of the Bank's administrative costs.

Staff Costs

In fiscal year 2016, 2017 and 2018 staff cost totaled Rs. 251.1 billion, Rs. 264.89 billion and Rs. 331.8 billion, respectively, which represented a year-on-year growth of 6.7%, 5.5% and 25.3%, respectively. Wages of public sector banks in India are revised every five years. As of the date of this Offering Memorandum, the wage negotiation for the period from November 1, 2017 between the Indian Banks' Association and the Unified Forum of Bank Unions was ongoing. In December 2018, the Indian Banks' Association proposed a wage revision of an average hike of 8.0% in wages for the public sector banks, which the Unified Forum of Bank Unions has rejected. An increase in wage will impact the Bank's operating expenses. The Bank made a provision of Rs. 16.6 billion for the year ended March 31, 2018 for the increase in employee wages and related pension costs. For the six months ended September 30, 2018, the Bank made a provision of Rs. 19.9 billion for salary revision and related pension costs.

Since 2010, new employees have joined the defined contribution plan and today their number is approximately 99,085. Going forward, the pension liability of the Bank is expected to stabilize as the high cost associated with long term employees will be replaced by younger and more cost-efficient employees. With the restructure of banking processes, revision of job content, rationalization of roles and empowerment of employees, the Banks expects that staff costs will be better controlled.

Overheads

The Bank undertook a significant expansion of its branch network in 2016, 2017 and 2018, which increased overhead costs as a result of increased rental, insurance and other expenses. The Bank also invested in the Branch Ambience project, installing air-conditioning in all of its branches across the country, in an effort to counter competition when other banks begin establishing their presence in third and fourth tier cities.

The table below indicates the number of additional domestic branches and ATMs existing as of the dates indicated:

	At March 31,		
	2018	**2017**	**2016**
Branches	22,414	17,170	16,784
ATM	59,541	59,263	59,000

Corporate tax rates

Corporate tax rates applicable to the Bank impact the Bank's profitability. The corporate tax rate applicable to the Bank was 34.94% for the six months ended September 30, 2018 and 34.61% for the fiscal years 2018, 2017 and 2016.

Merger with Associate Banks

As instructed by the Government, five associate banks of the Bank — State Bank of Bikaner and Jaipur, State Bank of Mysore, State Bank of Travancore, State Bank of Hyderabad and State Bank of Patiala — merged into the Bank with effect from April 1, 2017. The following table sets out the Bank's share of the ownership of each of these associate banks immediately prior to the merger together with key financial and operating data as of and for the fiscal year ended March 31, 2017.

Name of Bank	Investment	SBI Share of Ownership	Total Assets	Agg. Deposits	Total Advances	Op. Profit	Net Profit	Gross NPAs	Net NPA
	(Rs. in billions except for percentages)								
State Bank of Bikaner & Jaipur	6.8	75.07%	1,162.9	1,036.6	687.7	19.4	(13.7)	15.5%	10.5%
State Bank of Hyderabad	3.7	100.00%	1,631.9	1,429.6	877.2	29.1	(27.6)	20.8%	12.8%
State Bank of Mysore	6.3	90.00%	890.0	777.7	386.1	9.1	(20.1)	25.9%	16.9%
State Bank of Patiala	48.6	100.00%	1,228.3	1,005.1	771.0	14.6	(35.8)	23.2%	15.5%
State Bank of Travancore	8.9	79.09%	1,259.2	1,143.2	525.1	15.0	(21.5)	16.8%	10.2%
Total	74.2		6,172.3	5,392.2	3,247.0	87.2	(118.7)		

Prior to fiscal year 2018, the Bank accounted for its share of the assets, liabilities and operating results of these associate banks under the equity method. Accordingly, it recorded the value of its equity interests in the associate banks as an asset on its consolidated balance sheet at cost (subject to subsequent adjustments for profits and losses) and recorded its proportionate share of the profits and losses in its consolidated profit and loss account.

From April 1, 2017, the Bank accounted for the merged associate banks under the pooling of interest method pursuant to which all assets and liabilities of the merged associate banks have been recorded on the Bank's books at their existing carrying amounts as of April 1, 2017.

The Bank did not restate its financial statements for prior periods in order to reflect the assets, liabilities and results of the merged associate banks on a consistent basis. As a result, the Bank's consolidated financial statements for fiscal year 2017 and fiscal year 2016 are not completely comparable with subsequent periods.

Discussion of the Consolidated Financial Statements of the Group

The discussion set out below is based on the Group's unaudited but reviewed consolidated financial statements as of and for the six months ended September 31, 2018 and audited consolidated financial statements as of and for the fiscal years ended March 31, 2016, 2017 and 2018.

Results for the six months ended September 30, 2018 compared to the six months ended September 30, 2017

Interest Earned

Interest earned increased by Rs. 88.8 billion, or 7.8%, to Rs. 1,226.3 billion in the six months ended September 30, 2018 from Rs. 1,137.5 billion in the six months ended September 30, 2017. This increase was primarily attributable to a 7.8% increase in the interest earned on advances and bills to Rs. 793.9 billion in the six months ended September 30, 2018 from Rs. 736.6 billion in the six months ended September 30, 2017, which was primarily due to an increase in the Group's volume of advances, led mainly by growth in SME advances and retail segment advances.

The Group's portfolio of advances grew by Rs. 1,602.1 billion, or 8.7%, year-on-year to Rs. 19,949.7 billion as of September 30, 2018 compared to Rs. 18,347.6 billion as of September 30, 2017. This included an increase in term loans of Rs. 1,692.7 billion, or 16.5%. The increase in interest earned was also aided by a Rs. 43.3 billion, or 12.0%, increase in income earned on investments which totaled Rs. 404.35 billion in the six months ended September 30, 2018, from Rs. 361.1 billion in the six months ended September 30, 2017, which was primarily due to an increase in the Group's investment portfolio to Rs. 12,188.6 billion as of September 30, 2018 from Rs. 11,284.4 billion as of September 30, 2017 as well as an increase in the average yields earned on these investments.

Other Income

Other income (including exceptional items) decreased by Rs. 48.8 billion, or 13.2%, to Rs. 321.4 billion in the six months ended September 30, 2018 from Rs. 370.2 billion in the six months ended September 30, 2017. This decrease was primarily attributable to lower profit on sale of investments, which decreased by Rs. 94.3 billion, or 78.7%, to Rs. 25.4 billion in the six months ended September 30, 2018 from Rs. 119.7 billion in the six months ended September 30, 2017, which was primarily due to lower trading income and significant mark-to-market losses due to the decrease in bond yields.

Interest Expended

Interest expended increased by Rs. 15.7 billion, or 2.12%, to Rs. 755.4 billion in the six months ended September 30, 2018 from Rs. 739.7 billion in the six months ended September 30, 2017. This increase was primarily due to an increase in interest on borrowings by Rs. 15.1 billion. The Group's cost of average resources for its overseas operations increased from 2.1% for the six months ended September 30, 2017, to 2.6% for the six months ended September 30, 2018, due in part to an increase in LIBOR rate from 1.323% to 2.351% on a year-on-year basis. Floating rate borrowings of the Group's foreign offices constituted approximately 72.0% of the total borrowings. For the Group's domestic borrowings, average cost of borrowing increased from 5.8% for six months ended September 30, 2017 to 6.3% for six months ended September 30, 2018.

Deposits increased to Rs. 28,391.2 billion as of September 30, 2018, a Rs. 1,990.8 billion, or 7.5% increase compared to Rs. 26,400.3 billion as of September 30, 2017, due to a 7.3% increase in term deposits and an 8.2% increase in saving bank deposits, which was attributable to general expansion of business and increase in deposits and CASA base. Interest on borrowings increased by Rs. 15.1 billion, or 66.9%, to Rs. 37.62 billion in the six months ended September 30, 2018 from Rs. 22.5 billion in the six months ended September 30, 2017 owing to an increase in the level of borrowings by Rs. 849.1 billion or 33.0% to Rs. 3,398.1 billion as at September 30, 2018 from Rs. 2,549.1 billion as at September 30, 2017.

The Bank's net interest margin increased to 2.73% for the six months ended September 30, 2018 compared to 2.43% for the six months ended September 30, 2017, an increase of 30 basis points (based on quarterly average interest-bearing assets).

Operating Expenses

The Group's operating expenses increased by Rs. 89.4 billion, or 20.9%, to Rs. 515.7 billion in the six months ended September 30, 2018, from Rs. 426.2 billion in the six months ended September 30, 2017. This increase was primarily attributable to a Rs. 42.5 billion, or 25.8%, increase in payments to and provisions for employees to Rs. 206.93 billion in the six months ended September 30, 2018 from Rs. 164.4 billion in the six months ended September 30, 2017, mainly due to the provision of Rs. 19.9 billion on account of the anticipated back-dated wage revision and a provision of Rs. 18.1 billion during the six months ended September 30, 2018 on account of the increased limit on gratuity (a retirement benefit) for employees that was implemented with effect from March 2018. The total number of employees of the Group decreased by 13,515, or 5.0% from 269,219 at September 30, 2017 to 255,704 at September 30, 2018, due to the increasing employee efficiency and productivity as well as digitization of the Bank's operations.

Other contributors to the increase in the Group's operating expenses included an increase of Rs. 38.3 billion, or 34.2% in operating expenses relating to the Group's insurance business — SBI Life, as a result of increase in benefits paid due to increase in policyholders' pay-outs which was a result of general growth in the Group's insurance business — SBI Life.

Provisions and Contingencies (excluding provisions for tax)

Provisions and contingencies (excluding provisions for tax) increased by Rs. 33.9 billion, or 11.9%, to Rs. 317.7 billion in the six months ended September 30, 2018 from Rs. 283.8 billion in the six months ended September 30, 2017. The provision for NPAs decreased by Rs. 54.7 billion, or 18.8%, to Rs. 236.0 billion in the six months ended September 30, 2018 from Rs. 290.7 billion in the six months ended September 30, 2017. This decrease was primarily due to the reduction in gross NPAs by Rs. 175.6 billion, or 8.2%, to Rs. 2,058.6 billion as at September 30, 2018 from Rs. 2,234.3 billion as at March 31, 2018. There was also a write back of Rs. 8.2 billion in the general provision on standard assets in the six months ended September 30, 2018 from a provision of Rs. 2.4 billion in the six months ended September 30, 2017 which reflected certain high value accounts for which provision on standard assets was made but which were subsequently classified as NPAs.

The provision for depreciation on investments amounted to Rs. 88.8 billion in the six months ended September 30, 2018 compared to a gain of Rs. 6.7 billion in the six months ended September 30, 2017. The increase in the provision for depreciation on investments was primarily due to significant mark-to-market losses due to increase in interest rates.

Tax Expenses and Provisions

Total provision for tax was a gain of Rs. 8.1 billion in the six months ended September 30, 2018 compared to a provision of Rs. 7.3 billion in the six months ended September 30, 2017, on account of the net loss of Rs. 36.5 billion in the six months ended September 30, 2018.

Current income tax expenses decreased by Rs. 5.3 billion, or 36.4%, to Rs. 9.2 billion in the six months ended September 30, 2018 as compared to Rs. 14.4 billion in the six months ended September 30, 2017, due mainly due to lower taxable income and higher allowable deductions. The effective tax rate for the six months ended September 30, 2018 was 34.94%.

Share in profit of associates/ minority interest

Share in profit of associates decreased by Rs. 0.5 billion, or 23.9%, to Rs. 1.5 billion in the six months ended September 30, 2018 compared to Rs. 1.9 billion in the six months ended September 30, 2017, which was primarily due to a decrease in profit of associates and the Bank's divestment of its 4.40% stake in Clearing Corporation of India in March 2018. The share in the Group's profits attributable to minority interests increased by Rs. 1.2 billion, or 31.2%, to Rs. 5.0 billion in the six months ended September 30, 2018, compared to Rs. 3.8 billion in the six months ended September 30, 2017, which was primarily due to an increase of the Bank's stake in GE Capital Business Management Ltd. from 40.0% to 74.0% in December 2017.

Net Profit

As a result of the above, we incurred a net loss of Rs. 36.5 billion in the six months ended September 30, 2018 compared to a net profit of Rs. 48.7 billion in the six months ended September 30, 2017.

Financial Condition

Total assets amounted to Rs. 36,701.8 billion as of September 30, 2018 compared to Rs. 36,164.3 billion as of March 31, 2018, an increase of 1.5%. Cash and balances with the RBI decreased by 13.6% to Rs. 1,302.2 billion as of September 30, 2018 from Rs. 1,507.7 billion as of March 31, 2018, as a result of increase in advances in the retail segment which was due to the Bank's effort to focus on its retail portfolio. Balances with banks and money at call and short notice saw a 1.7% decrease to Rs. 452.7 billion as of September 30, 2018 from Rs. 445.2 billion as of March 31, 2018. Advances increased by 1.8% to Rs. 19,949.7 billion as of September 30, 2018 from Rs. 19,601.2 billion as of March 31, 2018. The table below sets out the principal components of the Group's assets as of the dates indicated.

	As of March 31, 2018	**As of September 30, 2018**	**% change**
	(Rs. in billions, except percentages)		
Cash and balances with the RBI	1,507.7	1,302.2	(13.6)%
Balance with banks and money at call and short notice	445.2	452.7	1.7%
Total cash and cash equivalents	1,952.9	1,754.9	(10.1)%
Government securities	9,116.9	9,372.2	2.8%
Other investments	2,721.1	2,816.3	3.5%
Total investments	11,837.9	12,188.6	3.0%
Term loans	11,328.0	11,976.1	5.7%
Other advances	8,273.2	7,973.6	(3.6)%
Total advances	19,601.2	19,949.7	1.8%
Fixed assets	412.3	409.9	(0.6)%
Other assets	2,360.1	2,398.9	1.6%
Total assets	36,164.3	36,701.9	1.5%

Total liabilities and shareholders' funds amounted to Rs. 36,701.8 billion as of September 30, 2018 compared to Rs. 36,164.3 billion as of March 31, 2018, an increase of 1.5%. Reserves and surplus decreased 0.3% to Rs. 2,286.7 billion as of September 30, 2018 from Rs. 2,294.3 billion as of March 31, 2018. Deposits increased by 4.3% to Rs. 28,391.2 billion as of September 30, 2018 from Rs. 27,221.8 billion as of March 31, 2018. Borrowings decreased by 7.9% to Rs. 3,398.2 billion as of September 30, 2018 from Rs. 3,690.8 billion as of March 31, 2018. The decrease in the Group's borrowings is primarily attributable to decrease in borrowings from the RBI.

The table below sets out the principal components of the Group's shareholders' funds and liabilities as of the dates indicated.

	As of March 31, 2018	As of September 30, 2018	% change
	(Rs. in billions, except percentages)		
Capital	8.9	8.9	0.0%
Reserves and surplus	2,294.3	2,286.7	(0.3)%
Total shareholders' funds	2,303.2	2,295.6	0.3%
Minority Interest	46.2	52.7	14.2%
Deposits	27,221.8	28,391.2	4.3%
Borrowings	3,690.8	3,398.2	(7.9)%
Other liabilities and provisions	2,902.4	2,564.2	(11.7)%
Total liabilities and shareholders' funds	36,164.3	36,701.8	1.5%

The Bank's lower-cost CASA deposits increased by Rs. 395.1 billion, or 3.3%, from Rs. 11,872.9 billion at March 31, 2018 to Rs. 12,268.0 billion at September 30, 2018. The Bank's CASA ratio decreased from 45.7% at March 31, 2018 to 45.3% at September 30, 2018. Savings account deposits increased by 3.8% partially offset by a decrease in current account deposits by 7.4% from March 31, 2018 to September 30, 2018.

Results for fiscal year 2018 compared to fiscal year 2017

Interest Earned

Interest earned decreased by 0.6% to Rs. 2,289.7 billion in fiscal year 2018 from Rs. 2,304.5 billion in fiscal year 2017. This was primarily attributable to a Rs. 118.3 billion, or 7.6%, decrease in the interest earned on advances / bills to Rs. 1,449.6 billion in fiscal year 2018 from Rs. 1,567.9 billion in fiscal year 2017, which was primarily due to fresh slippages resulting in the loss of incremental interest and interest reversal. The Bank's base lending rate was reduced by a total of 60 basis points and its marginal cost of funds-based lending rate by 5 basis points over the course of fiscal year 2018, which also contributed to the decline in interest income. The decrease in interest earned on advances was partially offset by an increase in interest income from investments by Rs. 108.4 billion, or 16.9%, to Rs. 750.4 billion in fiscal year 2018 from Rs. 642.0 billion in fiscal year 2017.

The Group's portfolio of advances increased by Rs. 632.3 billion, or 3.3%, to Rs. 19,601.2 billion as of March 31, 2018 compared to Rs. 18,968.9 billion as of March 31, 2017, primarily driven by an increase in term loans of Rs. 685.3 billion, or 6.4%, primarily due to an increase in retail segment advances, partially offset by a decrease in agriculture advances.

Other Income

Other income (including exceptional items) increased by Rs. 93.6 billion, or 13.7%, to Rs. 775.6 billion in fiscal year 2018 from Rs. 681.9 billion in fiscal year 2017. This increase was primarily due to the increase in commission on collection, locker rent, increase in Government commission, cross selling and account maintenance, which was offset by a decrease in remittance, collection and transaction fee income.

Interest Expended

Interest expended decreased by Rs. 25.1 billion, or 1.7%, to Rs. 1,466.0 billion in fiscal year 2018 from Rs. 1,491.2 billion in fiscal year 2017. Deposits increased to Rs. 27,221.8 billion as of March 31, 2018, a Rs. 1,223.7 billion, or 4.7%, increase compared to Rs. 25,998.11 billion as of March 31, 2017, due to a 3.3% or Rs. 484.4 billion increase in term deposits. The Bank's cost of deposits was 5.8% and 5.3% for the year ended March 31, 2017 and March 31, 2018, respectively. The decrease in interest paid on deposits was partially offset by an increase in interest paid on borrowings, which increased by Rs. 10.7 billion, or 23.2% to Rs. 56.9 billion in fiscal year 2018 from Rs. 46.2 billion in fiscal year 2017, reflecting increase in borrowing and the increase in LIBOR. The average domestic borrowing was Rs. 200.6 billion in fiscal year 2018 as compared to Rs. 137.1 billion in fiscal year 2017. The level of borrowing in the International Banking Group also increased from Rs. 1,983.2 billion as of March 31, 2017 to Rs. 2,186.6 billion as of March 31, 2018.

The Bank's net interest margin was 2.50% for fiscal year 2018 compared to 2.84% for fiscal year 2017, a decrease of 34 basis points, primarily as a result of a decline in net interest income by 0.5% compared to a 31.5% growth in average interest earning assets.

Operating Expenses

Operating expenses increased by Rs. 88.7 billion, or 10.2%, to Rs. 961.6 billion in fiscal year 2018 from Rs. 872.9 billion in fiscal year 2017. This increase was primarily attributable to an increase in operating expenses relating to the insurance business — SBI Life, which increased by 21.3% to Rs. 293.8 billion in fiscal year 2018 from Rs. 242.3 billion in fiscal year 2017 as a result of general growth in the Group's insurance business — SBI Life, such as the resulting increase in benefits paid due to an increase in the policyholders' pay-outs as well as an increase in the actuarial reserves on account of higher premium from its unit-linked insurance plans. In addition, there was an increase in expenses related to rents, taxes and lighting; advertisement and publicity, and insurance premium paid on assessable deposits under the Deposit Insurance and Credit Guarantee Corporation Act, 1961, which was due to the increase in deposits.

Provisions and Contingencies (excluding provisions for tax)

Provisions and contingencies (excluding provisions for tax) increased by Rs. 147.2 billion, or 24.0%, to Rs. 760.2 billion in fiscal year 2018 from Rs. 612.9 billion in fiscal year 2017.

The provision for NPAs increased by Rs. 156.1 billion to Rs. 715.3 billion in fiscal year 2018 from Rs. 559.2 billion in fiscal year 2017, reflecting increase in gross NPAs of Rs. 1,119.9 billion, or 99.7%, from Rs. 1,123.4 billion as at March 31, 2017 to Rs. 2,234.3 billion as at March 31, 2018. The net general provision on standard assets was a write-back of Rs. 35.9 billion, compared to a provision of Rs. 21.9 billion for fiscal year 2017. This write-back was due to certain high value accounts for which provision on standard assets was made but which were subsequently classified as NPAs. The standard asset provision in respect of such accounts was reflected as a write-back.

The provision for depreciation on investments increased by Rs. 64.6 billion, or 374.9%, to Rs. 81.8 billion for fiscal year 2018 from Rs. 17.2 billion for fiscal year 2017 as a result of significant mark-to-market losses on bond investments due to the increase in interest rates. For example, yields from 10-year government securities moved from 6.68% as of March 31, 2017 to 7.40% as of March 31, 2018. The yields touched a low of 6.41% as of July 24, 2017 and a high of 7.78% as of March 6, 2018.

Tax Expenses and Provisions

Current income tax expenses decreased by Rs. 36.7 billion, or 67.6%, to Rs. 17.6 billion in fiscal year 2018 compared to Rs. 54.3 billion in fiscal year 2017, reflecting a net loss of Rs. 65.5 billion incurred during fiscal year 2018. The total provision for tax was a write-back of Rs 80.6 billion in fiscal year 2018, compared to a provision of Rs. 13.4 billion in fiscal year 2017.

Share in profit of associates/ minority interest

The Group's share in profit of associates increased by Rs. 1.5 billion, or 51.7%, to Rs. 4.4 billion in fiscal year 2018 compared to Rs. 2.9 billion in fiscal year 2017, which was primarily due to the increase in the Bank's stake in two regional rural banks — Kaveri Grameena Bank and Rajasthan Marudhara Gramin Bank, subsequent to the merger of the Bank's five associate banks into the Bank as well as improved performance of other associates of the Group. The share in the Group's profits attributable to minority interests increased by Rs. 11.5 billion to Rs. 8.1 billion in fiscal year 2018, compared to Rs. (3.4) billion in fiscal year 2017, which was primarily due to an increase of the Bank's stake in GE Capital Business Management Ltd. from 40.0% to 74.0% in December 2017.

Net Profit

As a result of the above, the Group recorded a net loss of Rs. 45.6 billion in fiscal year 2018 compared to a net profit of Rs. 2.4 billion in fiscal year 2017.

Financial Condition

Total assets amounted to Rs. 36,164.3 billion as of March 31, 2018 compared to Rs. 34,451.2 billion as of March 31, 2017, an increase of 5.0%. Cash and balances with the RBI decreased by 6.4% to Rs. 1,507.7 billion as of March 31, 2018 from Rs. 1,610.2 billion as of March 31, 2017 due to growth in advances by Rs. 632.3 billion during the period. Advances increased by 3.3% to Rs. 19,601.2 billion as of March 31, 2018 from Rs. 18,968.9 billion as of March 31, 2017 primarily driven by an increase in advances to the retail segment which was primarily a result of the Bank's focus on the expansion of its retail portfolio.

The table below sets out the principal components of the Group's assets as of the dates indicated.

	As of March 31,		
	2017	**2018**	**% change**
	(Rs. in billions, except percentages)		
Cash and balances with the RBI	1,610.2	1,507.7	6.4%
Balance with banks and money at call and short notice	1,121.8	445.2	(60.3)%
Total cash and cash equivalents	2,732.0	1,952.9	(28.5)%
Government securities	7,891.4	9,116.9	15.5%
Other investments	2,381.4	2,721.1	14.3%
Total investments	10,272.9	11,837.9	15.2%
Term loans	10,642.7	11,328.0	6.4%
Other advances	8,326.2	8,273.2	(0.6)%
Total advances	18,968.9	19,601.2	3.3%
Fixed assets	509.4	412.3	(19.1)%
Other assets	1,968.2	2,360.1	19.9%
Total assets	34,451.2	36,164.3	50%

Total liabilities and shareholders' funds amounted to Rs. 36,164.3 billion as of March 31, 2018 compared to Rs. 34,451.2 billion as of March 31, 2017, an increase of 5.0% or Rs. 1,713.1 billion. A 6.0% or Rs. 130.4 increase in reserves and surplus to Rs. 2,294.3 billion as of March 31, 2018 from Rs. 2,163.4 billion as of March 31, 2017 was primarily attributable to merger of the five associate banks into the Bank with effect from April 1, 2017. Deposits increased by 4.7% or Rs. 1,223.7 billion to Rs. 27,221.8 billion as of March 31, 2018 from Rs. 25,998.1 billion as of March 31, 2017. Borrowings increased by 9.7% or Rs. 327.1 billion, to Rs. 3,690.7 billion as of March 31, 2018 from Rs. 3,363.6 billion as of March 31, 2017. The increase in the Group's borrowings is primarily attributable to the borrowing in India (mainly from RBI) which was a result of growth in advances. The table below sets out the principal components of the Group's shareholders' funds and liabilities as of the dates indicated.

	As of March 31,		
	2017	**2018**	**% change**
	(Rs. in billions, except percentages)		
Capital	8.0	8.9	11.9%
Reserves and surplus	2,163.9	2,294.3	6.0%
Total shareholders' funds	2,171.9	2,303.2	6.1%
Minority interest	64.8	46.2	(28.8)%
Deposits	25,998.1	27,221.3	4.7%
Borrowings	3,363.7	3,690.8	9.7%
Other liabilities and provisions	2,852.7	2,902.4	1.7%
Total liabilities and shareholders' funds	34,451.2	36,164.3	5.0%

The Bank's lower-cost CASA deposits increased by Rs. 798.6 million, or 7.2% from Rs. 11,074.3 billion at March 31, 2017 to Rs. 11,874.9 billion at March 31, 2018. The Bank's CASA ratio increased 128 basis points from 44.4% at March 31, 2017 to 45.7% at March 31, 2018. Savings account deposits increased by 7.9% and current account deposits increased by 3.8% from March 31, 2017 to March 31, 2018.

Results for fiscal year 2017 compared to fiscal year 2016

Interest Earned

Interest earned increased by Rs. 98.1 billion, or 4.5%, to Rs. 2,304.5 billion in fiscal year 2017 from Rs. 2,206.3 billion in fiscal year 2016. This increase was primarily attributable to a Rs. 77.4 billion, or 13.7%, increase in income earned on investments to Rs. 642.0 billion in fiscal year 2017 from Rs. 564.6 billion in fiscal year 2016, which was primarily due to an increase in the Group's investment portfolio to Rs. 10,272.8 billion as of March 31, 2017 from Rs. 8,073.8 billion as of March 31, 2016 which was attributable to investment in Government securities, which grew by Rs. 1,431.4 billion and also due to increased investments in mutual funds and commercial papers, by Rs. 398.6 billion during the period

Other Income

Other income increased by Rs. 153.7 billion, or 29.1%, to Rs. 681.9 billion in fiscal year 2017 from Rs. 528.3 billion in fiscal year 2016. This increase was primarily attributable to an increase in profit on the sale of investments by Rs. 73.2 billion, or 113.2%, from Rs. 64.6 billion in fiscal year 2016 to Rs. 137.8 billion in fiscal year 2017, which was mainly due to the fall of yields after the announcement of demonetization announced in November 2016, and an increase in insurance premium income by Rs. 56.1 billion, or 33.7% from Rs. 166.4 million to Rs. 222.4 billion which was mainly due to general growth in the Group's insurance business — SBI Life.

Interest Expended

Interest expended increased by Rs. 60.7 billion, or 4.2%, to Rs. 1,491.2 billion in fiscal year 2017 from Rs. 1,430.5 billion in fiscal year 2016. This increase was primarily due to a Rs. 63.9 billion, or 4.8%, increase in the Group's interest expense on deposits to Rs. 1,387.9 billion in fiscal year 2017 as compared to Rs. 1,324.0 billion in fiscal year 2016.

The Group's deposits increased to Rs. 25,998.1 billion as of March 31, 2017, a Rs. 3,459.5 billion, or 15.4%, increase compared to Rs. 22,538.6 billion as of March 31, 2016, due to a Rs. 1,253.0 billion, or 9.4% increase in term deposits. Interest paid on borrowings for the Group increased by Rs. 5.0 billion, or 10.4% to Rs. 53.0 billion in fiscal year 2017 from Rs. 48.0 billion in fiscal year 2016.

The Bank's net interest margin stood at 2.84% for fiscal year 2017 compared to 2.96% for fiscal year 2016, a decrease of 12 basis points, primarily as a result of an increase in the prime lending rate and the Bank's base lending rate, as well as a 1.4% increase in advances.

Operating Expenses

Operating expenses increased by Rs. 129.8 billion, or 17.5%, to Rs. 872.9 billion in fiscal year 2017 from Rs. 743.1 billion in fiscal year 2016. This increase was primarily attributable to 6.7% increase in rents, taxes and lighting; 29.5% increase in depreciation expenses (excluding leased assets); and 11.3% relating to insurance expenses.

Other contributors to the increase in the Group's operating expenses were an increase of Rs. 57.1 billion, or 30.8%, in operating expenses relating to the Group's insurance business — SBI Life due to the increase in benefits paid due to an increase in the policyholders' pay-outs, an increase in the actuarial reserves on account of higher premiums from its unit-linked insurance plans and an increase in bonus rates.

Provisions and Contingencies (excluding provisions for tax)

Provisions and contingencies (excluding provisions for tax) increased by Rs. 233.6 billion, or 61.6%, to Rs. 612.9 billion in fiscal year 2017 from Rs. 379.3 billion in fiscal year 2016. Provision on NPAs increased by Rs. 208.1 billion, or 59.3%, to Rs. 559.2 billion in fiscal year 2017 from Rs. 351.1 billion in fiscal year 2016. The increase in the provision for NPAs was driven primarily by an increase in gross non-performing advances by Rs. 141.7 billion, or 14.4%, to Rs. 1,123.4 billion as of March 31, 2017 from Rs. 981.73 billion as of March 31, 2016. The general provision on standard assets decreased by Rs. 0.93 billion to Rs. 21.9 billion in fiscal year 2017 from Rs. 22.8 billion in fiscal year 2016 as a result of a decline in restructured standard assets by Rs. 24.2 billion to Rs. 366.3 billion as on March 31, 2017 from Rs. 390.6 billion as on March 31, 2016. The provision for depreciation on investments increased by Rs. 14.01 billion, or 436.5%, to Rs. 17.22 billion in fiscal year 2017 compared to Rs. 3.21 billion in fiscal year 2016.

Tax Expenses and Provisions

Current income tax expenses decreased by Rs. 3.5 billion, or 6.0%, to Rs. 54.3 billion in fiscal year 2017 as compared to Rs. 57.8 billion in fiscal year 2016, reflecting the loss incurred by five associate banks — State Bank of Hyderabad, State bank of Bikaner and Jaipur, State Bank of Mysore, State Bank of Travancore and State Bank of Patiala.

The total provision for tax decreased by Rs. 41.0 billion, or 75.4%, to Rs. 13.4 billion in fiscal year 2017 from Rs. 54.3 billion in fiscal year 2016, which was primarily due to the losses incurred by five associate banks — State Bank of Hyderabad, State bank of Bikaner and Jaipur, State Bank of Mysore, State Bank of Travancore and State Bank of Patiala.

Share in profit of associates/ minority interest

Share in profit of associates increased by Rs. 0.1 billion, or 3.6%, to Rs. 2.9 billion in fiscal year 2017 compared to Rs. 2.8 billion in fiscal year 2016, which was primarily due to an increase in the profit of associates. The share in the Group's profits attributable to minority interests decreased by Rs. 11.3 billion to Rs. (3.4) billion in fiscal year 2017 compared to Rs. 7.9 billion in fiscal year 2016, which was primarily due to the loss incurred by State Bank of Travancore, State Bank of Bikaner and Jaipur and State Bank of Mysore.

Net Profit

As a result of the above, net profit (including share in profit of associates and net of minority interest), decreased by Rs. 119.8 billion, or 98.0%, to Rs. 2.4 billion in fiscal year 2017 from Rs. 122.2 billion in fiscal year 2016.

Financial Condition

Total assets amounted to Rs. 34,451.2 billion as of March 31, 2017 compared to Rs. 30,734.9 billion as of March 31, 2016, an increase of 12.1%. Cash and balances with the RBI increased by 0.4% or Rs. 5.94 billion to Rs. 1,610.2 billion as of March 31, 2017 from Rs. 1,604.3 billion as of March 31, 2016. Balances with banks and money at call and short notice saw a 154.2% or Rs. 680.4 billion increase to Rs. 1,121.8 billion as of March 31, 2017 from Rs. 441.35 billion as of March 31, 2016 mainly due to the effect of the demonetization policy which took effect in November 2016. Advances increased by 1.4% or Rs. 266.3 to Rs. 18,968.9 billion as of March 31, 2017 from Rs. 18,702.6 billion as of March 31, 2016. The table below sets out the principal components of the Group's assets as of the dates indicated.

	As of March 31,		
	2016	**2017**	**% change**
	(Rs. in billions, except percentages)		
Cash and balances with the RBI	1,604.2	1,610.2	0.4%
Balance with banks and money at call and short notice	441.3	1,121.8	154.2%
Total cash and cash equivalents	2,045.6	2,732.0	33.6%
Government securities	6,473.7	7,891.4	21.9%
Other investments	1,600.1	2,381.4	48.8%
Total investments	8,073.7	10,272.9	27.2%
Term loans	9,962.2	10,642.7	6.8%
Other advances	8,740.4	8,326.2	(4.7)%
Total advances	18,702.6	18,968.9	1.4%
Fixed assets	152.6	509.4	233.9%
Other assets	17,60.3	1,968.2	11.8%
Total assets	30,734.8	34,451.2	12.1%

Total liabilities and shareholders' funds amounted to Rs. 34,451.2 billion as of March 31, 2017 compared to Rs. 30,734.8 billion as of March 31, 2016, an increase of 12.1% or Rs. 3,716.4 billion. A 20.3% or Rs. 365.8 billion increase in reserves and surplus to Rs. 2,164.0 billion as of March 31, 2017 from Rs. 1,798.2 billion as of March 31, 2016 was primarily attributable to a reinvestment of profits as well as a capital infusion by the Government during fiscal year 2016. Deposits increased by 15.4% or Rs. 3,459.5 billion to Rs. 25,998.1 billion as of March 31, 2017 from Rs. 22,538.6 billion as of March 31, 2016, Borrowings decreased by 6.9% or Rs. 250.3 billion to Rs. 3,363.7 billion as of March 31, 2017 from Rs. 3,614.0 billion as of March 31, 2016. The decrease in the Group's borrowings is primarily attributable to the higher growth of 15.4% in deposits as compared to a 1.4% growth in advances. The table below sets out the principal components of the Group's shareholders' funds and liabilities as of the dates indicated.

	As of March 31,		
	2016	2017	% change
	(Rs. in billions, except percentages)		
Capital	7.8	8.0	2.7%
Reserves and surplus	1,798.2	2,163.9	20.3%
Total shareholders' funds	1,805.9	2,171.9	20.3%
Minority interest	62.7	64.8	3.4%
Deposits	22,538.6	25,998.1	15.4%
Borrowings	3,614.0	3,363.7	(6.9)%
Other liabilities and provisions	2,713.7	2,852.7	5.1%
Total liabilities and shareholders' funds	30,734.8	34,451.2	12.1%

The composition of the Bank's outstanding domestic deposits showed an increase of Rs. 1,730.8 billion in lower-cost CASA deposits from the end of fiscal year 2016 to the end of fiscal year 2017. As of March 31, 2017, the Bank had outstanding CASA deposits of Rs. 8,904.1 billion as against Rs. 7,173.32 billion as of March 31, 2016. The Bank's CASA ratio, calculated as the ratio of current account deposits and savings account deposits to domestic deposits (including interbank), increased from 43.8% as of March 31, 2016 to 45.6% as of March 31, 2017. Savings account deposits increased by Rs. 1,617.2 billion from April 2016 to March 2017, whereas current account deposits increased by 8.4% through fiscal year 2017.

Liquidity

The following table sets forth the Group's statement of cash flows for the fiscal years 2016, 2017 and 2018:

	Year ended March 31,		
	2016	2017	2018
	(Rs. in billions)		
Cash and equivalents at the beginning of the year	1,884.8	2,045.6	2,732.0
Net cash generated from / (used in) operating activities	144.8	774.1	(965.1)
Net cash generated from / (used in) investing activities	(36.7)	(28.3)	110.7
Net cash generated from / (used in) financing activities	43.5	(42.0)	55.5
Effect of exchange fluctuation on translation reserve	9.2	(17.4)	13.1
Cash and Cash equivalents received on account of acquisition of Bharatiya Mahila Bank	—	—	6.8
Net change in cash and cash equivalents	160.8	686.4	(779.1)
Cash and equivalents at the end of the year	2,045.6	2,732.0	1,952.9

The following table sets forth the Group's statement of cash flows for the six months ended September 30, 2017 and 2018.

	Six months ended September 30,	
	2017	2018
	(Rs. in billions)	
Cash and equivalents at the beginning of the period	2,732.0	1,952.9
Net cash generated from / (used in) operating activities	(987.8)	(175.6)
Net cash generated from / (used in) investing activities	27.9	(19.4)
Net cash generated from / (used in) financing activities	15.0	(35.3)
Effect of exchange fluctuation on translation reserve	9.7	32,3
Cash and Cash equivalents received on account of acquisition of Bharatiya Mahila Bank	6.8	—
Net change in cash and cash equivalents	(928.4)	(198.0)
Cash and equivalents at the end of the period	1,803.5	1,754.9

Cash Flows from Operating Activities

The Group recorded a net cash outflow from operating activities of Rs. 965.1 billion in fiscal year 2018. The primary reasons for the outflow were increases in investments other than investments in subsidiaries, joint ventures or associates which was largely a result of the surplus of deposits post the demonetization policy which took effect in November 2016. The outflow was partially offset by an increase in deposits.

The Group recorded a net cash inflow from operating activities of Rs. 774.1 billion in fiscal year 2017. The primary reasons for the inflow were an increase in deposits, which was largely a result of the growth in deposits due to the effect of the demonetization policy which took effect in November 2016. The inflow was partially offset by an increase in investments other than investments in subsidiaries, joint ventures or associates.

The Group recorded a net cash inflow from operating activities of Rs. 144.8 billion in fiscal year 2016. The primary reasons for the inflow were the increase in deposits and the increase in borrowings other than capital instruments employed to fund the Group's growth in advances. The inflow was partially offset by increases in investments other than investments in subsidiaries, joint ventures or associates and increases in advances which was a result of the Bank's focus on expanding its retail portfolio.

The Group recorded a net cash outflow from operating activities of Rs. 175.6 billion in the six months ended September 30, 2018. The primary reasons for the outflow were increases in investments other than investments in subsidiaries, joint ventures or associates and an increase in advances and a decrease in borrowings other than capital instruments and a decrease in other liabilities which was largely a result of a decrease in provisions held for non-performing advances that was attributable to a cash outflow on inter-office accounts and bills payable. The outflow was partially offset by an increase in deposits.

The Group recorded a net cash outflow from operating activities of Rs. 987.8 billion in the six months ended September 30, 2017. The primary reason for the outflow was an increase in investments other than investments in subsidiaries, joint ventures or associates which was largely a result of surplus available to the Bank as a result of increased deposits owing to the demonetization policy which took effect in November 2016. The outflow was partially offset by an increase in deposits.

Cash flow from investing activities

The Group recorded a net cash inflow from investing activities of Rs. 110.7 billion in fiscal year 2018. The primary reason for the inflow was a decrease in plant, property and equipment expense and a decrease of investments in subsidiaries, joint ventures or associates which was largely a result of the merger of five associate banks into the Bank with effect from April 1, 2017. The inflow was partially offset by an increase in goodwill on consolidation.

The Group recorded a net cash outflow from investing activities of Rs. 28.3 billion in fiscal year 2017. The primary reason for the outflow was an increase in plant, property and equipment expense which was largely a result of incurred in the normal course of business. The outflow was partially offset by a profit on sale of investments in subsidiaries, joint ventures and associates.

The Group recorded a net cash outflow from investing activities of Rs. 36.7 billion in fiscal year 2016. The primary reason for the outflow was an increase in plant, property and equipment expense which was mainly attributable to the expenses used in connection with the purchase of new furniture and IT equipment as well as the expenses incurred in connection with the Bank's new offices under construction, in particular the leadership institute at Kolkata. The outflow was partially offset by a decrease in investment in subsidiaries and associates.

The Group recorded a net cash outflow from investing activities of Rs. 19.4 billion in the six months ended September 30, 2018. The primary reason for the outflow was an increase in plant, property and equipment expense.

The Group recorded a net cash inflow from investing activities of Rs. 27.9 billion in the six months ended September 30, 2017. The primary reasons for the inflow were decrease in investments in subsidiaries, joint ventures or associates which was largely a result of the merger of five associate banks into the Bank with effect from April 1, 2017. The inflow was partially offset by an increase in plant, property and equipment expense.

Cash flows from financing activities

The Group recorded a net cash inflow of Rs. 55.5 billion from financing activities in fiscal year 2018. This was attributable to the issuance of a total of 951,083,092 equity shares (net of issue expenses) in fiscal year 2018. The inflow was partially offset by the redemption of capital instruments and interest paid on them.

The Group recorded a net cash outflow from financing activities of Rs. 42.0 billion in fiscal year 2017. The primary reason for the outflow was the redemption of Rs. 99.7 billion of capital instruments and interest paid on them. The outflow was partially offset through the proceeds from the issuance of equity shares (net of issue expense) and proceeds from the issuance of new capital instruments.

The Group recorded a net cash inflow of Rs. 43.48 billion from financing activities in fiscal year 2016. The primary reason for the inflow was the issuance of 297,046,122 equity shares of Rs. 1.0 each by way of preferential issuance to the Government during fiscal year 2016 as well as the issuance of Basel III-compliant Tier 2 bonds. The inflow was partially offset by interest paid on capital instruments.

The Group recorded a net cash outflow from financing activities of Rs. 35.3 billion in the six months ended September 30, 2018. The primary reasons for the outflow were the redemption of the Bank's Rs. 25.0 billion bonds and interest paid on capital instruments. The outflow was partially offset by an increase in minority interests of the Group.

The Group recorded a net cash inflow from financing activities of Rs. 15.0 billion in the six months ended September 30, 2017. This was attributable to the issuance of 522,193,211 equity shares of Rs. 150.0 billion in June 2017. The inflow was partially offset by the redemption of Rs. 72.7 billion of bonds and interest paid on them and an outflow of Rs. 24.2 billion on account of dividends paid.

Contingent Liabilities

The table below sets forth, as of the dates indicated, the principal components of the Group's contingent liabilities.

Contingent Liabilities	As of March 31, 2016	As of March 31, 2017	As of March 31, 2018	As of September 30, 2018
	(Rs. in billions)			
Claims against Bank not acknowledged as debts	160.6	331.5	355.5	359.4
Liability for partly paid investments	1.6	6.0	6.2	6.0
Liability on account of outstanding forward exchange contracts	6,559.0	6,566.3	6,448.1	6,118.4
Guarantees given on behalf of constituents	2,526.0	2,355.3	2,170.4	2,283.8
Acceptances, endorsements and other obligations	1,311.6	1,179.2	1,219.0	1,353.9
Other items for which Bank is contingently liable	1,283.2	1,410.8	1,464.2	1,474.3
Total	11,842.0	11,849.1	11,663.3	11,595.8

The Group's contingent liabilities decreased by 0.6%, or Rs. 67.5 billion, to Rs. 11,595.8 billion as of September 30, 2018 from Rs. 11,663.4 billion as of March 31, 2018, primarily due to a decrease in liability on account of outstanding forward exchange contracts. During the six months ended September 30, 2018, the Group saw a decrease of 4.0% in its contingent liabilities on account of a decrease in forward exchange contracts and other items for which the Group is contingently liable. The Group's contingent liabilities decreased by 1.6%, or Rs. 185.7 billion, to Rs. 11,663.4 billion as of March 31, 2018 from Rs. 11,849.1 billion as of March 31, 2017, primarily due to a decrease in guarantees given on behalf of the Bank's clients.

The Group's contingent liabilities increased marginally by 0.06%, or Rs. 7.1 billion, to Rs. 11,849.1 billion as of March 31, 2017 from Rs. 11,842.0 billion as of March 31, 2016, primarily due to an increase in claims against the Bank, not acknowledged as debts.

Guarantees

As a part of the Bank's project financing and commercial banking activities, the Bank has issued financial and performance guarantees to enhance the credit standing of its customers. Financial guarantees are obligations to pay a third-party beneficiary where a customer fails to make payment towards a specified financial obligation. Performance guarantees are obligations to pay a third party beneficiary where a customer fails to perform a non-financial contractual obligation. The guarantees are generally for a period not exceeding ten years. The credit risks associated with these products, as well as the operating risks, are similar to those relating to other types of financial instruments. The Bank takes cash collateral and other property on security to cover potential losses on these guarantees.

Capital Resources

The Group has moved to Basel III Regulations as implemented by RBI from April 1, 2013. Banks have to comply with the regulatory limits and requirements as prescribed under Basel III capital regulations, on an on-going basis. Banks are required to maintain a capital adequacy ratio of 11.325%, both at unconsolidated and consolidated levels. As of the date of this Offering Memorandum, banks are also required to maintain a CET I capital ratio of 5.50% and a capital conservation buffer of 1.875% as CET I. Basel III capital regulations are expected to be fully implemented as of March 31, 2020.

The following table sets forth the Group's risk-based capital, risk-weighted assets and risk-based capital adequacy ratios computed in accordance with the applicable RBI Basel II Guidelines and as reported to the RBI.

	As of March 31,			As of September 30,
	2016	**2017**	**2018**	**2018**
	(Rs. in billions, except percentages)			
Tier I Capital	1,749.8	2,014.9	2,047.6	2,020.5
Tier II Capital	540.3	507.6	427.4	424.8
Total qualifying capital	2,290.1	2,522.4	2,475.1	2,445.3
Total risk-weighted assets and contingents	17,726.8	19,352.7	19,451.5	19,236.9
Capital adequacy ratios:				
Tier I capital adequacy ratio	9.87%	10.41%	10.53%	10.50%
Tier II capital adequacy ratio	3.05%	2.62%	2.19%	2.21%
Total capital adequacy ratio	12.92%	13.03%	12.72%	12.71%
Minimum Tier I capital adequacy ratio required by the RBI	7.775%	8.55%	9.325%	9.325%
Minimum total capital adequacy ratio required by the RBI	9.775%	10.55%	11.325%	11.325%

The Group's total capital adequacy ratio as of September 30, 2018 was 12.71%, including a Tier I capital adequacy ratio of 10.50% and a Tier II capital adequacy ratio of 2.21%.

The Group's total capital adequacy ratio as of March 31, 2018 was 12.72%, including a Tier I capital adequacy ratio of 10.53% and a Tier II capital adequacy ratio of 2.19%.

For a description of the RBI's capital adequacy guidelines, including required weightings of risk-weighted assets and contingents, see "*Regulation and Supervision — The RBI and its regulations — Capital adequacy requirements*."

Significant Accounting Policies

The Bank operates in a highly regulated industry. The RBI mandates nearly all accounting policies for Indian banks. Because of this, the Bank's management believes that it does not have the scope to materially affect the Bank's results of operations through estimates or judgments in the application of its policies. A discussion of the Bank's and the Group's significant accounting policies can be found in Schedule 17 of its standalone and consolidated audited financial statements, respectively.

BUSINESS

Overview

The Bank is India's largest bank, with 22,311 branches in India, 209 international offices in 35 countries and more than 429 million customer accounts as of September 30, 2018. The Group had deposits, advances and a total assets base of Rs. 28,391.2 billion, Rs. 19,949.7 billion and Rs. 36,701.8 billion, respectively, as of September 30, 2018 and of Rs. 27,221.8 billion, Rs. 19,601.2 billion and Rs. 36,164.3 billion, respectively, as of March 31, 2018, the largest by each measure among banking institutions in India. As of September 30, 2017 and 2018, the Bank's market share of aggregate deposits was 23.2% and 22.3%, respectively, and the Bank's market share of domestic advances was 20.0% and 19.6%, respectively, among all RBI-scheduled commercial banks in India, based on the RBI data.

The Government of India is the majority shareholder of the Bank, owning 57.7% of the Bank's issued shares as at September 30, 2018. The Bank's shares are listed on the Bombay Stock Exchange ("**BSE**") and the National Stock Exchange of India ("**NSE**") and its global depositary receipts are listed on the London Stock Exchange. As of December 31, 2018, the Bank had a market capitalization of approximately Rs. 2,640.8 billion.

The Bank organizes its client relationships, marketing and product development, as well as non-customer facing activities, through its principal business groups. The Bank's business groups are as follows:

- The Corporate Accounts Group, which provides corporate banking services to corporations and institutions based on quality (external or internal rating) of the account, the potential to do business, and the client's reputation or strategic importance, to focus on the highest priority and quality individual and group relationships with differentiated coverage.

- The Commercial Clients Group, which provides corporate banking services to corporations and institutions other than having relationship with Corporate Accounts Group and enjoying credit facilities of more than Rs. 0.5 billion.

- The International Banking Group, which through its international branches, subsidiaries, representative offices and joint ventures, provides a range of international banking services to Indian and foreign companies with operations within and outside India, non-resident Indians in international markets, as well as the local population in such jurisdictions.

- The Global Markets Group, which is responsible for the Bank's treasury functions, managing domestic liquidity, its investment portfolio and foreign currency exposure. The Global Markets Group also provides foreign exchange and risk hedging derivative products.

- The Stressed Assets Resolution Group, which works as a dedicated and specialized vertical for efficient resolution of high value NPAs transferred to it by other verticals by formulating suitable measures including initiating hard recovery measures, in accordance with applicable policies stipulated by the Bank's credit policy and procedures committee

The range of products and services offered by the Bank includes loans, advances and deposits (both retail and wholesale), foreign exchange and derivatives products, retail lending and deposits, fee-and commission-based products and services, as well as alternative payment products. The Bank is also present, through its subsidiaries and joint ventures, in diverse segments of the Indian financial sector, including asset management, investment banking, factoring and commercial services, treasury operations, credit cards, payment services, life insurance and general insurance. See "— *Subsidiaries and Joint Ventures in India — Non-Bank Subsidiaries and Joint Ventures.*"

The Group comprises both banking and non-banking operations. Banking operations are the largest part of the Group in terms of total assets and net profit, representing 95.0% of the Group's total assets as of September 30, 2018. The Group also conducts operations outside India, both through branches operated by the Bank's International Banking Group and through subsidiaries, associates, joint ventures and investments outside India.

For fiscal year 2018, the Group's net loss amounted to Rs. 45.6 billion, a decrease of Rs. 48.0 billion from a profit of Rs. 2.4 billion for fiscal year 2017, which in turn was a decrease of Rs. 119.8 billion, or 98.0%, from Rs. 122.3 billion for fiscal year 2016. For the six months ended September 30, 2018, the Group's net loss amounted to Rs. 36.5 billion.

The Bank did not pay dividends for the year ended March 31, 2018. The Bank paid a dividend of Rs. 24.2 billion and Rs. 23.5 billion for the years ended March 31, 2017 and 2016, respectively.

History

The origins of the State Bank of India date back to the establishment of the Bank of Calcutta (later renamed the Bank of Bengal) in 1806. The Bank of Bombay was created in 1840 and the Bank of Madras in 1843. These three banks catered mainly to the needs of the mercantile community and pioneered modern banking in India. In 1876, the Government transferred its shareholding in the three banks to private shareholders. However, the Government retained controlling powers over the banks' functioning and constitution. In 1921, the three banks were merged by an Act of the legislature to form the Imperial Bank of India. On July 1, 1955, the Imperial Bank of India was nationalized and the Bank was constituted under the State Bank of India Act 1955 ("**SBI Act**") with the RBI holding 92.0% of its share capital.

The Bank's original mandate was to spread banking facilities on a large scale and make credit more readily available in India, especially in rural and semi-urban areas. In compliance with its mandate, the Bank expanded its network of 480 offices by opening over 400 new branches within five years, and continued the rapid expansion. Over the subsequent decades, the Bank has become India's largest bank, with 22,311 branches in India, 209 international offices in 35 countries and more than 429 million customer accounts as of September 30, 2018. As of the date of this Offering Memorandum, the Bank competes in all major banking sectors while still fulfilling its original mandate.

In accordance with Government directives, the Bank introduced liberalized lending facilities to small-scale industries, small businesses and the agricultural sector, which later evolved into the RBI's priority sector lending program applicable to all banks in India.

Under the SBI Act, the Government or government agencies are required to maintain majority ownership of the Bank. See "*Regulation and Supervision — Statutory Framework*." In fiscal year 1994, in compliance with regulatory reforms, the Bank completed a public offering. The RBI's holding was transferred to the Government in June 2007.

Competitive Strengths

The following core competitive strengths have historically contributed to the Bank's success and record of growth and the Bank believes that these strengths will continue to do so in the future:

Relationship with the Government, state governments and state-owned enterprises

As of the date of this Offering Memorandum, the Government owns 57.7% of the Bank. Historically, the Bank has enjoyed support from the Government including capital injections and preferential access to Government business. Since March 30, 2012, the Government has made the following contributions of equity capital: On March 30, 2012, March 20, 2013 and January 2, 2014, the Government injected Rs. 79.0 billion, Rs. 30.0 billion and Rs. 20.0 billion, respectively, (including premium) into the Bank through preferential allotments of equity shares to increase the Bank's Tier I capital adequacy ratio and to ensure sufficient capital to support credit growth. On April 1, 2015, September 30, 2015 and January 20, 2017, the Government injected Rs. 29.7 billion, Rs. 53.9 billion and Rs. 56.8 billion, respectively, through preferential allotment of equity shares. On June 12, 2017, the Bank offered equity shares to qualified institutional investors amounting to Rs. 150.0 billion and in May 2018, the Bank had made a preferential allotment of Rs. 88.0 billion of equity shares to the Government. The Bank believes its strong relationships with both the Government and state governments are key factors driving asset growth and providing a stable source of business. The Government generates significant business activity in the economy. For the six months ended September 30, 2018 and for the year ended March 31, 2018, the Bank's turnover from Government business was Rs. 27,400.5 billion and Rs. 55,613.0 billion, respectively. For the six months ended September 30, 2018 and for the year ended March 31, 2018, the Bank earned commissions from Government transactions of Rs. 19.0 billion and Rs. 30.5 billion, respectively, or 10.7% and 7.6%, respectively, of the Bank's other (non-interest) income. For fiscal year 2018, the Bank's market share of Government business based on the face value of the transactions, was approximately 67.7%, including such transactions as handling payment and receipts for both the Government and state governments based on RBI data.

In many instances, the Bank acts as the sole agent for certain Government transactions. The Bank acts as the RBI's agent for certain banking businesses of the Government and state governments. The Bank also handles payment functions of the Government through its branches, including salary and pension payments and expenditure payments of various ministries. The Bank believes that this relationship with the Government is instrumental in attracting new customers. In addition, the Bank handles a significant portion of the banking requirements for India's public sector enterprises ("**PSEs**"), including administering payments and loans to employees and offering life insurance and pension plans. As of September 30, 2018, the total net advances to PSEs in India were Rs. 1,634.4 billion. SBI Pension Fund is one of a select few entities in India with a mandate from the Pension Fund Regulatory and Development Authority to hold pension funds for the benefit of Government employees. The Bank is also the designated exclusive refund bank for the Income Tax Department of India to handle income tax refunds.

Well-known brand with the largest branch and ATM network in India and extensive portfolio of products and services

With over 63 years of operations in India, the Bank believes that it has the country's best known banking brand. The Bank is India's largest bank, with 22,311 branches in India, 209 international offices in 35 countries and more than 429 million customer accounts as of September 30, 2018. The Bank also has the largest ATM network in India with 51,808 ATMs as of September 30, 2018. The Bank also had deposits, advances and a total assets base of Rs. 28,391.2 billion, Rs. 19,949.7 billion and Rs. 36,701.8 billion, respectively, as of September 30, 2018, which was the largest by each measure among banking institutions in India. As a result of its unparalleled position in India, the Bank has a leading market position in several of its business segments, including deposits and advances, foreign exchange trading, loan funding (education loans, home loans and auto-loans), credit cards and payment services. The Bank believes it is India's leading provider of education loans, home loans and car loans.

The Bank's extensive branch and ATM network allows it to provide banking services to a large and growing customer base, including large corporations, institutions and state-owned enterprises, as well as commercial, agricultural, industrial and retail customers throughout India. The assets of the Bank are diversified across business segments, industries and groups, which gives the Bank stability. Moreover, the Bank offers a full range of banking products and services, including short-term and long-term deposits, secured and unsecured loans, internet banking, mobile banking, credit cards, life insurance, merchant banking, agricultural and micro-finance banking products and project finance loans. The Bank is also the sponsoring bank for DBTL transactions, a program launched by the Government for effecting direct transfers of entitlements to LPG subsidies. As a result of its extensive network and product offerings, the Bank is able to meet the full range of its customers' banking needs throughout India. In addition, the Bank's comprehensive product and service offerings provide the Bank with numerous opportunities for cross-selling. Finally, the Bank is increasing its emphasis on a relationship management model in order to provide more tailored products and services, especially for its key corporate and mid-corporate customers.

The Bank continues to enhance its brand by making significant investments in the products and services it offers to its customers in and outside of India through a process of regular review of the Bank's operations and processes with a view to updating the Bank's technology, accommodating customer preferences and adjusting to market demands. It has undertaken a business process re-engineering initiative designed to enhance the sales and service at its branches. The Bank believes this initiative has resulted in an increased ability to acquire new customers, build stronger relationships with existing customers and provide customers with the highest quality of service across multiple delivery channels in the shortest time possible. The Bank has created product/customer-focused sales forces to aggressively promote the Bank's products so as to increase market penetration, strengthened low-cost alternative channels and redesigned key processes in important areas such as retail, corporate and international banking. See "— *Business Process Review*."

Strong deposit base providing stable and low-cost funding

The Bank believes that its large distribution network enables it to provide convenient services to a broad customer base across India. The Bank has the largest deposit base among all commercial banks in India, amounting to Rs. 28,074.2 billion as of September 30, 2018, representing a market share of approximately 23.0% of aggregate deposits among all RBI-scheduled commercial banks, according to RBI data. The Bank also has a large and growing percentage of relatively low-cost current and savings account ("**CASA**") deposits within its deposit mix, with the ratio of CASA deposits to its total deposits as of September 30, 2018 standing at 45.3%. For the six months ended September 30, 2018, the Bank's average cost of domestic deposits was 5.1%, which was a decrease of 32 basis point compared to the six months ended September 30, 2017.

Regularly enhanced risk management and internal control functions

The Bank regularly strengthens its risk management and internal control capabilities by improving its policies and procedures and introducing advanced risk management tools, including IT-enabled credit risk modeling, industry studies, risk analytics, value-at-risk limitation, risk mitigation and validation procedures. The Bank has adopted an independent risk management system, which addresses the risks faced in all of its banking activities, including several board-level risk management committees under the Risk Management Committee of the Board, several independent risk management departments, such as Enterprise, Operational, Credit, Market and IT Risk Management departments, and established procedures for reporting risk-focused data to the relevant board-level committees. The independent risk management system seeks to identify and manage risks such as credit, market, operational and IT related risks at the Bank's business group level, using technology to allow each business group to manage its risks effectively and within the Bank's policies.

The Bank has maintained adequate capital reserves in accordance with Basel II since March 31, 2008 and has also maintained Basel III compliant measures since April 1, 2013. The Bank has implemented new credit risk assessment models, independent validation of internal ratings and new IT applications to improve the quality of loan data. The Bank conducts regular stress tests which are forward-looking economic assessments of the Bank's financial health, based on a number of economic scenarios and will take remedial measures, if necessary, depending on the outcome of the tests. The Bank also has a limitation framework in place for its trading and investment portfolio, including monitoring and reporting procedures. See "*Risk Management.*"

Strong financial performance and stable capital position

The Bank has been able to maintain its strong financial performance as reflected in its performance ratios, such as a net interest margin of 2.73% and 2.50% for the six months ended September 30, 2018 and for fiscal year 2018, respectively. The Bank's financial strength is also reflected in its ability to diversify its revenue streams from its non-banking businesses. The Bank's non-interest income, including income from fees and commissions, has risen steadily over the last three fiscal years. The Group's Tier I capital adequacy ratio was 10.50%, 10.53%, 10.41% and 9.87% as of September 30, 2018 and as of March 31, 2018, 2017 and 2016, respectively. The Group's capital position, as measured by its overall capital adequacy ratios was 12.71%, as of September 30, 2018 and 12.72% as of March 31, 2018. Both ratios exceeded the mandatory minimum ratio of 11.325%, which positions the Bank to take advantage of growth opportunities in the market. The Bank raised AT1 capital of Rs. 20.0 billion in the second quarter of fiscal year 2018 and the Government infused equity capital of Rs. 88.0 billion in the fourth quarter of fiscal year 2018.

Experienced management team

The Bank has an experienced management team staffed with a significant concentration of career banking professionals. The Bank's central management committee members have on average more than 30 years of banking and financial experience. The rest of the senior management team has expertise in key areas, including retail, corporate and international banking. The management team's extensive and diverse expertise provides the Bank with a broad perspective from which it can make strategic management and operational decisions. The Bank believes that its management team has created a clear, strategic direction for the Bank that will allow it to expand and maintain its position as the leading bank in India.

Strategy

The Bank's strategy is to enhance its position as the largest and leading provider of banking and other financial services in India, while remaining focused on its profitability. The Bank plans to execute this strategy in the following ways:

Continue expansion of the Bank's distribution network and banking products

The Bank intends to increase revenues generated from its banking business by expanding its distribution network, growing its customer base and diversifying its banking product mix. The Bank intends to use its strong financial position to take advantage of increasing growth opportunities within and outside of India, recruiting new employees, opening new branches and establishing new ATMs. The Bank plans to increase its effort to cross-sell a wide variety of banking products across its business groups and through numerous distribution channels, while also expanding its banking product offerings. The Bank is also pursuing strategic relationships with businesses and government departments to provide finance products to their employees and customers. In addition, the Bank is expanding into the more rural areas of India where growth potential is significant. The Bank also intends to grow its business through further overseas expansion to meet the growing needs of Indian corporations operating overseas and non-resident Indians living abroad.

Diversify revenue mix by increasing the Bank's non-banking products and businesses

The Bank plans to further diversify its revenues by expanding its products and service offerings, particularly its fee- and commission-based products and businesses, including:

- financial planning and advisory services;
- online securities trading;
- general insurance services;
- inward and outward remittances;
- private equity and venture capital;
- merchant banking;
- custodial services; and
- pension fund management.

Increase cost consciousness by optimization of resources

The Bank aims to improve its productivity by creating a culture of cost control and cost consciousness within the organization. To achieve this, the Bank targets to optimize allocation and utilization of resources, with an efficient balance between people, processes and technology. The Bank also plans to redeploy staff from administrative roles to customer facing units with a view to improve revenues and decrease costs. The Bank has engaged HR consultants to develop an operations model to assess staffing levels and determine the appropriate incumbency required in branches and administrative offices. The Bank has also shifted the Management Information System ("**MIS**") and other reporting functions to a centralized back office with a view to increasing the cost efficiency of the organization.

Utilize technology to enhance delivery of banking products and services

The Bank is committed to its ongoing effort to deploy new technology to maximize efficiency in its operations and expand the modes of delivery of its services, enabling it to increase penetration into existing customer segments. To achieve this, the Bank has migrated all of its branches to the core banking application platform and expanded its ATM and internet banking networks. The Bank also plans to continue offering an expanding suite of mobile banking, debit and prepaid card services to its customers and to continue investing in payment systems to make them more robust and efficient. See "— *Information Technology Systems and Infrastructure*."

Continue to strengthen the Bank's risk management and internal control capabilities

The Bank plans to continue enhancing its risk management and internal control capabilities, leveraging new or upgraded IT systems where appropriate, in order to ensure a sound governance structure, independent credit risk management system and strong risk management culture shared by all employees. The Bank continues to implement Basel II and Basel III guidelines by applying advanced risk management tools and by continuously enhancing the Bank's risk identification, measurement, monitoring and control capabilities. The Bank regularly examines its internal control policies and procedures to enhance the effectiveness of the entire internal control system. For example, in order to improve the Bank's internal control capabilities, the Bank established a board-level committee to develop a plan to improve the Bank's culture of compliance with internal procedures, including enhancing the role of IT in monitoring compliance and reducing non-compliance.

Attract and develop talented and experienced professionals

The Bank plans to recruit, retain, motivate and develop talented and experienced professionals in a number of ways, including providing extensive on-the-job and classroom training, offering a variety of placement choices, including overseas posts and offering expeditious promotion opportunities to high-potential candidates as part of the Bank's growth plan and business needs. The Bank has created an internal social media platform on which employees can interact with senior management to provide suggestions and feedback, thereby enhancing employee engagement. The Bank's other initiatives, including its e-learning platform and other social media initiatives, have also enabled it to effectively increase its interaction with its employees.

Focus on asset quality and reduction in NPA levels

The Bank aims to increase its focus on asset quality and reduce the NPA levels of the Bank. The Bank has recently put in place administrative structures to enable more effective follow-up and resolution of impaired assets. The Bank plans to adhere to a system of specific account by account solution for the resolution of NPAs. The Bank is setting up early warning signals systems for capturing internal triggers and external events in that indicate a risk of loans becoming non-performing in a timely manner. The Bank has deployed specialized officials such as law officers and officers with recovery skills wherever necessary as well as organized recovery camps at rural and semi-urban centers to enable quick cash recoveries of the Bank's NPAs. In cases where "soft" recovery measures such as tele-calling and sending recovery notices are ineffective, the Bank has initiated legal action. The Bank's policy is to take action under the Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest Act 2002 ("**SARFAESI Act**") promptly to recover the dues by sale of secured assets. The Bank appoints and closely monitors resolution agents for quick enforcement of security.

Business Groups

The Bank organizes its client relationships, marketing and product development, as well as non-customer facing activities, through its principal business groups. The Bank's principal business groups are as follows:

- The *Corporate Accounts Group* provides corporate banking services to many of India's largest and most prominent corporations and institutions, including state-owned enterprises. The Corporate Accounts Group caters to customers with on annual turnover of over Rs. 5.0 billion.

- The *Commercial Client Group* ("**CCG**") has come into existence with effect from June 1, 2018. This Business unit caters to all corporate banking relationships apart from CAG relationships with exposures greater than Rs. 500.0 million.

- The *National Banking Group* services the Bank's personal banking customers in urban, metropolitan, rural and semi-urban areas, small-scale industries, including state-owned enterprises, and corporate customers which are not serviced by either the Corporate Accounts Group or the Commercial Clients Group. The National Banking Group also provides financial services to the Government and state governments.

- The *International Banking Group*, through its international branches, subsidiaries, representative offices and joint ventures provides a range of international banking services to Indian and foreign companies with operations within and outside India, non-resident Indians ("**NRIs**") in international markets as well as the local population in such jurisdictions.

- The *Global Markets Group* operates the Bank's treasury functions, managing domestic liquidity, its investment portfolio and foreign currency exposure. Global Markets also enters into foreign exchange and risk hedging derivative products on behalf of the Bank's customers.

- The *Stressed Assets Resolution Group* is responsible for managing the Bank's NPAs in accordance with the Bank's credit policy and procedures committee's policies, including managing the feasibility of restructuring of debts.

The Bank's administrative services and management, including risk management, IT, inspection and audit, legal and human resources functions are common to all of its principal business groups. Within the National Banking Group, which accounts for the largest number of the Bank's branches, these common services are organized on the basis of administrative units, referred to within the Bank as "circles," "networks," "administrative zonal offices" and "branches." Circles are the largest administrative unit and constitute 14 geographic regions covering the entire country. Networks are the next largest administrative unit; each circle administers two or three networks. Each network administers five or six administrative zonal offices. Each administrative zonal office administers approximately 100 to 300 branches. Depending on the size of the administrative units under it, a network may cover up to 600 branches and a circle may cover up to 1,200 branches. The Bank is re-aligning its administrative structure to improve oversight and increase recovery rates for non-performing loans, including reducing the number of branches administered by one regional manager from 60 to 40.

The risk management department has operational risk managers and risk raters located at each circle's headquarters, as well as risk raters within the Commercial Clients (who also serve the Corporate Accounts Group) and the International Banking Group. The IT department provides support to all business groups. A senior officer responsible for IT coordination across the Group sits at the Bank's corporate headquarters to prioritize and coordinate IT-related issues among the various business groups, human resources and industrial relations.

Corporate Accounts Group

The Corporate Accounts Group provides corporate banking services to many of India's largest and most prominent corporations and institutions, including state-owned enterprises, and offers fund-based and non-fund-based lending products, fee- and commission-based products and services, deposits, foreign exchange services and derivatives. Each customer is assigned a relationship manager, who serves as a single point of contact for all of the customer's financial service requirements, including loan products, deposit accounts, international funding for cross-border transactions and interest rate and foreign exchange hedging products. As of September 30, 2018 and March 31, 2018, the value of the Bank's portfolio (including fund-based and non-fund based exposure with CAG) of large corporate loans was Rs. 4,383.8 billion and Rs. 6,102.5 billion, respectively.

The Corporate Accounts group's corporate loan portfolio primarily consists of working capital finance and term loans for project and corporate finance. The Corporate Accounts group offers its customers both fund-based and non-fund-based products. The most commonly used fund-based products are cash credits, working capital demand loans, bill discounting, term loans, corporate loans and export credit. Interest rates on these facilities have historically been linked to the RBI prime lending rate or to other market related rates, but since April 2016 have been linked to the Bank's publicly declared marginal cost of funds based lending rate ("**MCLR**"). Non-fund-based products such as letters of credit, bank guarantees, deferred payment guarantees, remittance and collection services, online tax payment, cash management services and end-to-end payment solutions are some of the sources of fee-based income. As of September 30, 2018, total outstanding loans to customers of the Corporate Accounts group were Rs. 2,591.2 billion in respect of fund-based products and Rs. 1,792.5 billion in respect of non-fund based products.

Project Finance and Structuring

The Project Finance and Structuring group provides specialist project evaluation services to the Bank's customers. This group has a particular focus on core infrastructure sectors of the Indian economy such as power, telecommunications, oil and gas (including transportation, pipelines and refineries), roads, bridges, ports and urban infrastructure, cement, hospitals and other non-infrastructure related sectors. Some of the major projects recently financed by SBI include Adani Power Maharashtra Ltd., Mumbai Pune Expressway Limited, and Hindustan Urvarak & Rasayan Ltd (Barauni, Sindri & Gorakhpur). As of March 31, 2018, the value of the Bank's portfolio of project finance loans was Rs. 1,163.5 billion.

In the case of other infrastructure projects, the project cost level is as follows: project cost of above Rs. 5.0 billion for projects under areas of PF cells and minimum project cost of Rs. 1.5 billion for projects not in purview of PF cells. For non-infrastructure and commercial projects, the relevant threshold is a project cost of above Rs. 10.0 billion for projects under area of PF cells and a project cost above Rs. 5.0 billion for projects not in purview of PF cells.

The threshold limits for the PF cells are: all road projects with a project cost of Rs. 0.75 billion and above, power projects with project cost minimum of Rs. 0.75 billion up to Rs. 15.00 billion, other infrastructure projects with project cost minimum of Rs. 0.75 billion up to Rs. 5.00 billion, non-infrastructure and commercial projects with project cost minimum of Rs. 1.50 billion and up to Rs. 10.00 billion. The Corporate Accounts Group, National Banking Group and Commercial Clients Group interface with the customer in proposing project finance services, while appraisals and sanctioning of a project will generally be carried out by the Project Finance and Leasing group. In respect of non-infrastructure and commercial projects, proposals with an underlying project cost of Rs. 5.00 billion and above are appraised and handled by the Project Finance Strategic Business Unit ("**PFSBU**"). The PFSBU continues to handle such accounts for a period of six months after the date of commencement of commercial operations. For infrastructure projects, the PFSBU processes control and follow-up for a period of two years after the date of commencement of commercial operations.

The Project Finance ("**PF**") team examines projects with minimum project cost/exposure levels ranging from Rs. 1.5 billion depending on the type of projects and whether or not it is in an area that is covered by a specialist PF Cell. PF Cell Delhi has a lower minimum exposure level starting at Rs. 0.75 billion.

The Corporate Accounts Group, National Banking Group and Commercial Client Group interface with the customers in proposing project finance services, while appraisals and sanction of a project will generally be carried out by the Project Finance and Structuring group. In respect of non-infrastructure and commercial projects, proposals with underlying project cost of Rs. 5.00 billion and above are appraised and handled by the Project Finance Strategic Business Unit ("**PFSBU**"). The PFSBU continues to handle such accounts for a period of six months after the date of commencement of commercial operations. For infrastructure projects, the PFSBU processes controls and follow-up for a period of two years after the date of commencement of commercial operation.

*Financial Institution Business Unit (“**FIBU**”)*

FIBU was created in 2009 under the Corporate Accounts Group to service the businesses of financial institutions, which include banks, brokerage firms, exchanges, mutual funds, non-banking financial companies and insurance companies.

FIBU aims to increase its market share in the capital markets-related business. The Capital Market Branch (“**CMB**”) in Mumbai operating under FIBU is a specialized branch catering to this segment, and is well equipped to meet the settlement banking and transaction banking requirements of the market participants and the intermediaries. CMB is the settlement bank of nine major exchanges and The Clearing Corporation of India Limited.

Other Corporate Banking Services

The Bank also offers loan syndication, corporate cash management, trade finance and funds transfer and settlement services to Corporate Accounts Group customers.

Loan Syndication

Through its subsidiary, SBI Capital Markets Ltd., the Bank has developed significant syndication capabilities, structuring and arranging the syndication of large financial transactions. During fiscal year ended March 31, 2018, SBI Capital Markets Ltd. arranged the syndication of over Rs. 825.77 billion of loans.

The Bank seeks to leverage these syndication capabilities to arrange project and corporate finance for its corporate customers and earn fee income. The Bank also seeks to increase its advisory business with respect to mergers and acquisitions, infrastructure projects and securitization. By leveraging the experience of SBI Capital Markets Ltd. and the extensive customer relationships of the Bank, this strategic relationship has made a significant contribution to the Bank’s ability to cross-sell the products and services of its various business groups and subsidiaries.

Corporate Cash Management

The Bank provides cash management services to corporate customers under the brand name “SBI FAST”, which stands for “funds available in shortest time.” As of September 30, 2018 customers can use over 2,000 branches at over 800 centers throughout India, with pooling facilities at various branches. This service aims to reduce costs and provide profit opportunities for the Bank’s customers by allowing for better liquidity management. Through SBI FAST, funds are transferred directly to the customer’s main account at any branch of the Bank in India from various collection centers on the same day that they are cleared at the collecting centers. The Bank’s cash management product center in Hyderabad provides a product range of collections, payments, liquidity management, mandates processing, printing bulk checks, and drafts and agency services.

Customized Management Information System (“**MIS**”) reports covering a variety of banking information are made available on a daily basis to customers’ corporate head offices as well as to their local offices and representatives at the centers through automatically generated email. Monthly reports are also sent to customers through automatically generated emails. Fully automated reconciliation support is provided for collections and payments affected by the customer from the Bank’s hub in Hyderabad by a dedicated team.

SBI FAST offers disbursement and payment services through a separate platform to facilitate payments across India at customer payment centers and plant locations. The payment solutions offered by the Bank as a part of corporate cash management make it possible for corporate customers to outsource their accounts payable and have payments processed using electronically based and paper products. In addition to effecting payments through the Bank's branches, electronic payments are made to customers of other banks' branches across India. The Bank has replaced the existing cash management services application, SBI FAST, with a new application, SBI FAST Plus. SBI FAST Plus contains enhanced functionalities and more front-end features that provide ease of operations for the clients.

As of September 30, 2018, all of the Bank's domestic branches in India enable quick, time-sensitive bulk payments to any beneficiary in India on behalf of the Bank's corporate customers.

Trade Finance

Trade finance services offered by the Corporate Accounts Group include the issuance and advising of domestic and foreign letters of credit, the confirmation of export letters of credit, the issuance of guarantees on behalf of domestic customers in favor of domestic and foreign beneficiaries, and on behalf of foreign correspondent banks to beneficiaries in India, domestic and foreign bill discounting against letter of credit as well as non-letter of credit bills and similar services.

The Bank trade finance services include an IT-driven supply chain financing product developed by the National Banking Group. The Bank expects that supply chain financing will enable it to leverage its links with major existing corporate customers to offer the financing services of small- and medium-sized vendors and dealers to such major customers. The target vendors would typically be SMEs or members of small-scale industries that are typically, although not exclusively, customers of the Bank. Supply chain financing is being marketed to corporations for use by their vendors. It is anticipated that this activity will bring into the Bank a number of new vendors who serve the mid-corporate and SME segments. See "*— National Banking Group — Small and Medium-Sized Enterprises*."

The Bank runs a centralized trade finance solutions platform, "**CS Eximbills**", which has been customized and extended across all of the Bank's branches that conduct trade finance activities. CS Eximbills automates a full range of trade finance activities from document preparation, calculation of commissions and foreign exchange to accounting, generating SWIFT messages, and report management. The application supports a wide range of trade finance functions, such as letters of credit, bank guarantees, bills, pre-shipment and post-shipment credit, forward contracts, shipping guarantees and standby letters of credit. A web-based application (eTradeSBI) has a facility for customers to access relevant services over the internet.

CS Eximbills has been integrated with the Bank's core banking solution application and treasury applications to facilitate the seamless flow of data entered across multiple systems. Major benefits include multi-currency accounting, faster turnaround for clients and data integrity across systems. As of September 30, 2018, 2,046 branches (including the Trade Finance Central Processing Center) are equipped with the CS Eximbills application.

Funds Transfer and Settlement

The Bank offers Real-Time Gross Settlement ("**RTGS**"), National Electronic Funds Transfer ("**NEFT**") and National Electronic Clearing Service ("**NECS**") fund transfer facilities for qualifying transactions at its branches as well as through its internet banking system. The Bank's mobile banking services also offer NEFT. NEFT and RTGS continue to be the most cost-effective and time efficient modes for remittance. The volume (number) of outward fund transfers through NEFT increased by 37.7% in fiscal year 2018 compared to that in fiscal year 2017. The volume (number) of outward fund transfers through RTGS increased by 44.7% in fiscal year 2018 compared to that in fiscal year 2017. The Bank has established itself as the market leader in NEFT, with a market share of 18.9% as of March 31, 2018 according to the RBI, and with respect to RTGS, the Bank held a market share of 10.1% as of March 31, 2018, according to the RBI. NEFT fund transfer transactions through the Bank's mobile banking service have also increased significantly in recent years.

National Banking Group

The National Banking Group provides a range of retail banking products to individuals, including through financial inclusion programs in rural areas, corporate banking products to the Bank's corporate, mid-corporate and small enterprise customers that are not serviced by the Corporate Accounts Group or the Commercial Clients Group, and banking services to the Government and state governments. The corporate banking products and services offered by the National Banking Group are generally consistent with those offered by the Corporate Accounts Group. The National Banking Group services customers located in urban, metropolitan, rural and semi-urban areas. Geographic areas are classified as urban, metropolitan, rural or semi-urban by the RBI based on population.

The National Banking Group includes four customer-facing business groups — Personal Banking, Rural Business, SME and Government Banking. The National Banking Group encompasses 16 administrative circles covering the Bank's 22,311 branch network as of September 30, 2018.

Personal Banking

The Bank has one of the largest branch and ATM networks in India, which, as of September 30, 2018, totaled 22,311 branches, of which 7,792 were in urban and metropolitan areas and 14,519 of which were in rural and semi-urban areas. The total numbers of branches as of September 30, 2018, and as of March 31, 2018, 2017, 2016, were 22,311, 22,414, 17,170 and 16,784, respectively. The Bank's ATM network as of September 30, 2018, and as of March 31, 2018, 2017 and 2016, totalled 51,808, 59,541, 59,263 and 59,011 respectively. Together with its subsidiaries and joint ventures, in both the banking and non-banking sectors, the Bank offers a broad range of products and services to its retail customers, including lending products such as home finance loans, automobile finance loans, and personal loans, deposit products, such as demand deposits, term deposits and savings accounts, and credit cards.

In addition, the Bank goes beyond traditional banking services to provide access to fee- and commission-based products such as life insurance and mutual funds as well as providing services tailored to NRIs, such as money transfer services through tie-ups with companies such as Western Union and Moneygram.

The Bank has made a concerted effort to diversify its client base in various ways. In addition to the high net worth and affluent client segments, which the Bank places a high importance on, the Bank has also opened "SBI Intouch" and "SBI Intouch Lite" branches in 2015 and 2016 to attract young and tech-savvy customers. In addition, the Bank also offers a special corporate salary package to its employees consisting of enhanced products with reduced fees and charges.

Deposit products offered to personal banking customers include savings accounts, term deposit accounts and hybrid accounts that combine features of savings and term deposit accounts. The total domestic deposit base (including NRI deposits) of personal banking was approximately Rs. 20,423 billion, of which CASA constituted 45.9% (Rs. 9,368 billion).

The Bank's retail lending products include home, auto, education and personal loans. The Bank's retail loan portfolio was equal to approximately 32.4% of the Bank's total domestic advances as of September 30, 2018. According to RBI data, the Bank had a 34.3% share of the home loan market, a 34.3% share of the retail auto loan market, and a 30.2% share of the education loan market (as measured by amounts outstanding) among scheduled commercial banks in India as of September 30, 2018.

- *Home Loans.* The Bank is one of the leading providers of home loans within India, in terms of aggregate amount outstanding during fiscal year 2018. As of September 30, 2018, home loans constituted approximately 56.9% of the personal banking loan portfolio of the Bank by total outstanding amounts. In addition to home loans for the purpose of construction, purchase and repair of personal residences, the Bank has introduced more sophisticated products such as reverse mortgages and home equity loans. The Bank's home loans outstanding as of March 31, 2018, 2017 and 2016 and as of September 30, 2018 were Rs. 3,131.1 billion, Rs. 2,413.2 billion and Rs. 2,157.2 billion and Rs. 3,282.5 billion, respectively. In particular, the Bank has recently deployed fresh resources and rolled out a quick approval process to meet the rising demand for affordable home loans. With the merger of the Bank's five associate banks into the Bank, the Bank believes it has wider channels for the marketing and sale of home loan products.

- *Auto Loans*: Auto Loans are loans for the purchase of new and used cars and utility vehicles, as well as for two-wheeled vehicles such as scooters, motorcycles and mopeds including battery operated vehicles. The Bank offers a number of auto loan products to meet the requirements of various customer segments. The retail auto loans portfolio contributes approximately 31.0% of the total retail personal loan portfolio (excluding home loans) of the Bank as of September 30, 2018. The Bank has 34.3% market share, as of September 30, 2018 on sectoral deployment of bank credit. The Bank's retail auto loans outstanding as of September 30, 2018, and as of March 31, 2018, 2017 and 2016 were Rs. 669.7 billion, Rs. 663.6 billion, Rs. 575.8 billion and Rs. 485.8 billion, respectively.

- *Education Loans*: In India, the Bank is the largest provider of education loans among all scheduled commercial banks as of September 2018, according to the All Scheduled Commercial Banks bulletin published in October 2018 by the RBI. Education loans include targeted products such as *SBI Scholar Loans*, which include loans to students securing admissions in 158 elite institutions, such as the Indian Institute of Management and the Indian Institute of Technology and other reputable institutions, at concessional terms and interest rates. *SBI Student Loans* is another product offered by the Bank. The scheme is extended to provide financial assistance to Indian nationals for pursuing higher education in India and abroad. The maximum loan amount under the student loan schemes for each student availing such loan is Rs. 1 million for studies in India and Rs. 2 million for studies abroad. Under the "Scholar Loan Scheme", the maximum loan amount is up to Rs. 3.0 million. The SBI GlobalEd-vantage scheme is targeted at students going abroad for higher studies, with loan limits up to Rs. 15.0 million. The Bank also offers the "SBI Skill Loan Scheme" for vocational education and training.

- *Personal Loans*: The Bank offers a wide range of personal loan products targeting specific customer segments or funding purposes. Major personal loan products include X*press Credit*, *SBI Pension Loans*, *Loans Against Deposits* and gold loans. The following table sets out the total amounts outstanding of auto loans, education loans and personal loans in the Bank's personal banking loan portfolio as of the last three fiscal years and as of September 30, 2018:

	As of March 31,			**As of September 30,**
	2016	**2017**	**2018**	**2018**
	(Rs. in billion)			
Auto Loans	485.8	575.8	663.6	669.7
Education Loans	201.9	210.6	207.2	208.0
Personal Loans	908.9	1,024.2	1,193.8	1,297.6

Deposit products offered to personal banking customers include savings, term deposit and hybrid products that combine features of savings and term deposit accounts.

In select branches, the Bank offers advisory services to assist customers to shape their lifelong financial and investment goals. A tailored suite of products comprising mutual funds, fixed deposits and insurance products is offered. The Bank plans to introduce wealth management service in a phased manner to assist high-net worth clients seeking wealth preservation and capital appreciation. The Bank offers relationship banking facilities at select branches to extend personalized service to high value customers.

NRI Banking Business

The Bank is a global Indian bank, with 209 foreign offices in 35 countries, covering all major time zones. The Bank has 93 dedicated NRI branches in India, has correspondent banking relations with 234 global banks and ties up with 55 exchange houses and six banks across the Middle East so that NRIs can enjoy "anywhere — anytime" banking facilities.

The services offered to NRIs include bank deposits, loans and remittances to investments, online equity trading, portfolio investment schemes, structured products, mutual funds and insurance. The total NRI deposit base as of September 30, 2018 was Rs. 2,104.3 billion with a market share of 23.8% based on total amount of deposit base.

Delivery Channels

The Bank is committed to offering advanced technology to its customers for their convenience. In line with this objective, delivery channels available to the Bank's personal banking customers include the following.

ATM Cards

The Bank has the largest ATM network in India as of September 30, 2018, The Bank operates a network of 51,621 ATMs as of March 31, 2018 and 51,355 ATMs as of September, 2018, respectively, and has 7,920 cash recyclers as of March 31, 2018 and 7,754 cash recyclers as of September 30, 2018, respectively, which represents approximately 28.9% of the total number of ATMs in India, as of August 2018 based on RBI data. The Bank opened 13,085 ATMs in fiscal year 2018, and an additional 2,726 ATMs in the six months ended September 30, 2018. The Bank also had 176 cash deposit machines as of September 30, 2018 respectively.

The Bank's ATMs transacted Rs. 14,438.9 billion, Rs. 12,945.6 billion, Rs. 13,387.8 billion and approximately Rs. 7,776.4 billion of cash withdrawals in fiscal years 2018, 2017, 2016 and in the last six months ended September 30, 2018, respectively. On average, over 10 million transactions per day are routed through the Bank's ATM network as of September 30, 2018. The Bank's ATM network is one of the busiest in India with an average usage rate of approximately 205 transactions per day per ATM as of September 30, 2018.

The Bank's customers can conduct a range of transactions at the Bank's ATMs, including cash withdrawals, balance enquiries, mini-statements, fund transfers, utility payments, mobile recharges, life insurance premium payments, credit card account payments, religious or charitable donations, educational fees for selected schools and colleges, mobile banking registration and SMS alerts registration.

Merchant Acquiring Business

The Bank established its merchant acquiring business to enable it to realize the credit and debit card market's significant potential. As of September 30, 2018, the Bank had deployed over 559,395 point-of-sale ("**POS**") terminals in retail outlets across India. To promote its POS terminals and credit and debit card usage, the Bank has entered into strategic relationships with businesses in the retail trade and services sector. The Bank is working with two technology service providers, Hitachi Payment Services and ATOS to implement its POS terminal and associated connectivity and back-office technology. The number of transactions undertaken through the Bank's merchant acquiring business has increased from over 289.9 million for fiscal year 2017 to 479.4 million for fiscal year 2018 and to 265.5 million for the six months ended September 30, 2018. The value of transactions increased from Rs. 229,333.0 million for fiscal year 2016 to approximately Rs. 990,860.6 million for fiscal year 2018, and to approximately Rs. 499,332.9 million for the six months ended September 30, 2018. The Bank intends to deploy an additional 300,000 terminals over the next three years.

Credit Cards

SBI Cards & Payment Services Private Limited ("**SBICPSL**") & SBI Business Process Management Services Private Limited ("**SBIBPMSL**") are joint venture companies between the Bank and CA Rover Holdings, an affiliate of the Carlyle Group ("**Carlyle**"), wherein SBI holds 74.0% while Carlyle holds 26.0% in the joint venture. GE Capital's stake in these companies was acquired by Carlye and SBI. SBICPSL has a total card base of over 7 million as of September 30, 2018 and is the second largest issuer in the country with 16.7% market share. SBICPSL posted a net profit of Rs. 3,307.0 million for the half year ended September 30, 2018 and SBIBPMSL posted a net profit of Rs. 361.3 million for the half year ended September 30, 2018. In terms of customer spending, SBICPSL had a 16.8 % market share of the total credit card spending in India as of September 30, 2018 and holds the second place in the industry ranking according to the RBI Industry Report (September 2018).

Debit Cards

The Bank continues to lead debit card issuance in India with over 393.7 million debit cards issued as of March 31, 2018 and 472.2 million debit cards issued as of September 30, 2018, with the highest market share in India of approximately 31.3% according to the RBI. The Bank is the largest debit card issuer in India. For fiscal year 2018, the Bank recorded an annual growth rate of approximately 44.5% in debit card spending over point-of-sale and e-commerce. The total spending was approximately Rs. 1,551.4 billion in fiscal year 2018 and Rs. 963.1 billion for the six months ended September 30, 2018.

The Bank has been actively promoting debit card usage through its various promotional campaigns.

Prepaid Cards

The Bank's Rupee prepaid cards include Gift Cards, eZ-Pay Cards, Smart Payout Cards, Achiever Cards and Foreign Travel Cards catering to various payment needs of the customers.

The Foreign Travel Card, which is now a chip-based, Europay Mastercard Visa-compliant card, is available in eight currencies: U.S. dollar, British pound sterling, euro, Canadian dollar, Australian dollar, Japanese yen, Saudi riyal and Singapore dollar, providing safety, security and convenience to overseas travelers. The Bank has introduced corporate variants of State Bank Foreign Travel Cards ("**SBFTC**") to cater to varying needs of corporate customers. Sales from SBTFC during fiscal year 2018 and for the six months ended September 30, 2018 were U.S.$99.9 million and U.S.$41.9 million, respectively. The Bank launched a multi-currency variant (for the use of four major currencies, U.S. dollar, British pound sterling, euro and Singapore dollar) on the Bank's MasterCard platform on September 8, 2014.

eZ-Pay Cards have been issued mostly for social benefit schemes of State and Central Governments in addition to salary payments by corporate entities. Sales from eZ-Pay Cards during fiscal year 2018 and for the six months ended September 30, 2018, were Rs. 4,797.7 million and Rs. 2,581.9 million, respectively.

The State Bank Gift Card is a prepaid card for customers to give as gifts to friends and family. Customers can create the State Bank Gift Cards online. The Bank also launched the Achiever Card during fiscal year 2013 which is a reloadable corporate incentive card with a validity of ten years for payments of incentives and awards. Sales from State Bank Gift Cards during fiscal year 2018 and during the six months ended September 30, 2018, were Rs. 623.5 million and Rs. 194.7 million, respectively.

IT-Based Channels

For a discussion of the Bank's telephone banking, internet banking and other IT-based products and services available to personal banking customers, see "*— Information Technology Systems and Infrastructure*."

Rural Business

The Rural Business Group focuses on developing innovative and effective modes of delivering banking services to all customers located in the rural and semi-urban areas of India. The Rural Business Group is subdivided into two business units: Rural Business and Agri-Business.

The Bank continues to focus on rural banking as a key driver of future growth. The Bank has been involved in extending banking facilities in rural areas in India long before it became mandatory for all banks in India. The Bank is also an active participant in financial inclusion programs. The Bank has expanded its network in rural and semi-urban areas in India by setting up a large number of branches. The number of rural branches has increased from 6,296 as of March 31, 2016, to 8,130 as of March 31, 2017 to 8,050 as of March 31, 2018 and to 8,048 as of September 30, 2018. The Bank has a pan-India presence and chairs the State Level Bank Committee as Chairman of the convener bank in 11 states and one union territory. Rural banking requires an innovative, technology-based and low cost approach in respect of delivery of services in remote areas, to a population with high illiteracy rates, and involves a large number of small-value transactions. In order to cater to rural customer needs, the Bank has developed an alternative delivery channel for banking services and products through a business correspondent model ("**Business Correspondent**"), in which entities or persons act as agents of the Bank at places other than the Bank's premises. The Bank has leveraged its technological capabilities for financial inclusion programs by introducing internet-based kiosk banking, card-based and cellular phone messaging channels. As of September 30, 2018, the Bank had engaged over 57,906 Business Correspondents in rural areas.

In line with *Pradhan Mantri Jan DhanYojana* ("**PMJDY**"), India's national mission for financial inclusion to ensure access in an affordable manner, the Bank has opened 105 million accounts as of September 30, 2018 and has issued a total of 69.9 million RuPay debit cards to eligible customers. The Bank is committed to serving residents across all areas of India. The Bank's number of basic savings bank accounts and small accounts has also increased from 72.9 million as of March 31, 2015 to 89.5 million as of March 31, 2016 to 117.3 million as of March 31, 2017 to 134.2 million as of March 31, 2018, and to 137.9 million as of September 30, 2018. The value of transactions handled through the Bank's Business Correspondents increased by 49.4% from Rs. 389.7 billion in fiscal year 2015 to Rs. 582.2 billion in fiscal year 2016 to Rs. 738.2 billion in fiscal year 2017 to Rs. 1,249.3 billion in fiscal year 2018. The Bank plans to increase revenue from its Business Correspondent model through the buildup of deposits and loans and advances.

The Bank has participated in self-help groups ("**SHG**"), bank credit linkage program, since its founding in 1992 by the Government. SHG consists of 10 to 20 volunteers from underprivileged members of society, comprising small and marginal farmers, landless laborers and rural residents with low income (particularly women) engaged in agricultural, allied agricultural activities and small business in rural areas, with common interest of, among other things, promoting personal savings, asset building and community development, improving empowerment and so forth. As of September 30, 2018, the Bank is the market leader in SHG financing with a credit deployment of Rs. 112.98 billion to 578,000 SHGs. The Bank's continued focus on the development of innovative and technology enabled channels for delivering banking services among the rural population has resulted in the successful launch of several new initiatives such as Aadhaar enabled Payment systems ("**AEPS**"), automated e-KYC, immediate payment service, micro ATM rollout, savings bank-overdraft facility under PMJDY and direct benefit transfer ("**DBT**")/direct benefit transfer in LPG ("**DBTL**"), the world's largest account-based subsidy transfer program. The Bank is the sole sponsor bank for the DBTL subsidy.

Although the individual accounts acquired through the Bank's financial inclusion program are typically low value, the Bank expects to benefit from the low cost funds, cross-selling of social security schemes and DBT handling commissions in the future.

Agricultural Business

Since its inception, the Bank has played an important role in the development of Indian agriculture. The Bank had 424 agriculture development branches as of September 30, 2018, which are specialized branches located throughout India used exclusively for the development of the agriculture sector and its related industries.

The Bank's agricultural development branches offer products such as crop financing, farm equipment financing, and agricultural value chain financing and serve customers involved in a wide range of agricultural activities such as crop production, horticulture, plantation crops, floriculture, farm mechanization, biotechnology, land development and reclamation, irrigation projects and well-digging, as well as activities linked to agriculture such as cold storage, trading and food processing. The Bank also finances activities such as dairy production, fisheries, livestock management, and silk worm farming. The Bank's focus has been on cultivating direct relationships with the farmers, thereby allowing it to offer more customized products to these customers. Initiatives aimed at strengthening ties with the farming community include attending farmers' meetings and events as well as developing a village adoption program, whereby each region, encompassing 40 to 45 Bank branches, "adopts" one to five villages in order to build banking relationships there and to support integrated development of the village. Recent initiatives include opening agri-commercial branches that cater to high-value agricultural projects, with 14 branches established as of September 30, 2018, opening 1,426 "SBI *kaapnagaon*" centers (pursuant to the Bank's village adoption scheme for financial inclusion), conducting 27,315 "credit and recovery camps" and setting up approximately 10,719 farmers' clubs as of September 30, 2018.

Some of the other initiatives taken by the Bank include providing a collateral free production loan with limits up to Rs. 0.2 million (as against RBI's stipulation up to Rs. 0.1 million) for farmers with satisfactory repayment track records, liberalizing scales of finance up to 200.0% more than the amount fixed by the state level bankers' committees or district level technical committees, and the deployment of junior assistant/associates (as Rural Marketing and Recovery Officers who specializes in the field) to improve the agricultural banking skills.

In order to ease the flow of credit for agriculture, the Bank has raised the limit for the renewal of mortgage-free crop loans from Rs. 100,000.0 to Rs. 150,000.0. The Bank also introduced a scheme for financing of dairy units under the Mudra scheme with liberalized terms for loans up to Rs. 100,000, as allied agricultural activity is a means of increasing farmers' income.

The Bank launched a product which is designed to meet the general needs of farmers by offering loans against the collateral of property called the Asset Backed Agri Loan ("**ABAL**"). This product has been popular among customers because of the flexibility it offers.

The Bank is de-risking its agri-portfolio and supporting farmers at the same time by entering into local and national level tie-ups with agri-corporates, wherein the supply chain helps ensure cash flows for timely renewal of loan and better incomes for the farmers. The Bank is also lending under a cluster-based approach to tap opportunities that revolve around areas and centers which have traditionally been known for activities such as shrimp farming, dairy, poultry and higher value horticulture crops such as pineapple and mango.

Given the large number of customers it serves, the Bank took the lead in organizing mass contact programs on six occasions during fiscal year 2018. Under this initiative, on a pre-fixed day, all rural and semi-urban branches of the Bank held informal meetings with farmers to improve customer connect and spread awareness about the Bank's and the Government's schemes.

Other important initiatives during the year included issuance of approximately 7.2 million KCC-ATM-RuPay Cards to Kisan Credit Card ("**KCC**") borrowers for ease and operational convenience. KCC RuPay Cards work seamlessly with ATMs and PoS machines, enabling farmers to purchase their day-to-day farm requirements on a 24 hours a day, 7 days a week basis.

As in its other lending operations, the Bank uses a scoring model for credit assessment of borrowers under several of its programs. The percentage of net NPAs to net advances as of September 30, 2018 stood at 4.84% and various steps have been taken to contain NPA levels since lending by individual branches under certain loan programs is linked to NPA levels and NPA levels exceeding certain benchmarks will lead to a tightening of certain credit lines. In addition, recovery agents are increasingly being used by the Bank to address debt collection, generally by enforcing on the underlying collateral securing the loans. NPAs are also being controlled through programs designed to improve loan initiation and monitoring, such as increased training for Bank representatives, use of regular audio and video conferencing, in-person visits and increased recruitment of specialists such as marketing and recovery officers, organization of special recovery and counseling camps in all agri-business intensive branches, wide publicity of additional incentives from the Government (3% interest subvention) on timely basis, recognizing borrowers whose accounts are regular, hard recovery options in respect of recalcitrant borrowers, special recovery teams to tackle high values NPAs and effective follow-up of suits filed and decreed accounts including the ones involving Lok Adalat. "Lok Adalat" is a forum organized under Chapter VI of the Legal Services Authorities Act, 1987 ("**LSA Act,**

1987") where the disputes pending in the court of law or at pre-litigation stage are settled by agreement with the assistance of a statutory conciliator. Under the LSA Act, 1987, the award made by the Lok Adalats is deemed to be the decree of a civil court and is final and binding on all parties with no right of appeal.

Small and Medium-Sized Enterprises

The SME Business Group focuses on servicing the specific credit needs of small- and medium-sized enterprises as defined by the Micro, Small and Medium Enterprises Development Act, 2006. The SME Business Group had a loan portfolio of approximately Rs. 2,657.0 billion as of September 30, 2018, equal to 14.9% of the Bank's total advances as of such date and including some indirect financing of the agricultural sector and allied activities. As of March 31, 2018, 2017 and 2016, the SME Business Group had loan portfolios of Rs. 2,698.8 billion, Rs. 2,251.5 billion and Rs. 1,895.3 billion, respectively.

The revival of business sentiment and contribution of SMEs to GDP and employment has brought the focus sharply on the growth and viability of SME units. The Government's initiatives *Make in India*, *CGTMSE cover, MUDRA*, *Stand Up India* are providing a significant boost to the SME segment

The Bank is the pioneer and market leader in financing SMEs, serving more than 1,484,000 SME borrowers in the largest core banking platform. The Bank believes that SMEs are a major driving force behind India's recent economic success. Accordingly, the Bank has dedicated specific resources to this customer segment As of the date of this Offering Memorandum, the Bank has 493 SME intensive branches and 821 MSME branches located in the areas where there is greater potential for SME activity. These branches provide focused attention to SMEs through specially trained relationship managers, whose sole responsibility is to look after SME customers. Currently there are 769 Relationship Managers providing personalized services to Medium Enterprises and 911 Relationship Managers providing personalized services to Small Enterprises. These Relationship Managers provide easy, quick and transparent access to banking services (including day-to-day operations) to SME clients. The Bank has focused on developing SME intensive branches into dedicated platforms for SME lending.

Products and services offered specifically to SMEs include term loans, working capital loans, standby lines of credit, bank guarantees, letters of credit, export finance, various types of current accounts and transaction related products. Some of the Banks initiatives in catering to SMEs and for the growth of SME sector are:

- Contactless Lending Platform ("**CLP**") for loans above Rs 1.00 million to Rs 10.00 million: Bank has partnered with SIDBI for the development of a digital CLP for lending to Micro and Small enterprises. Under the platform SME customers logs into the platform with GST and ITR login credentials. CLP platform based on the standardized credit model, supported by data (GST, Income Tax, Credit Bureaus and Bank account statements) and machine based analytics accords in principle sanction to SME units in less than an hour and actual sanction and disbursement happens within 7 days compared to earlier period of average 30 days.

- Project Vivek: The Bank has redesigned and transformed SME Credit rating and appraisal process for loans up to Rs. 500.00 million from traditional balance sheet based financing to Cash Flow Based financing.

- Cluster Finance Approach: Based on the potential of the select activities in the geographical area, 100 clusters covering the country have been identified and our SME intensive branches in particular will cater to the financing needs of these clusters. Based on the cluster studies conducted, separate lending packages are being developed for each cluster.

- E-Commerce: The exponential growth in e-Commerce has opened a world of opportunities for micro, small and medium enterprises. New players have entered the market space and Business to Business & Business to Customer space is growing in demand. We have gained first mover advantage in this area, the Bank has worked on various initiatives to pioneer ecosystem lending through partnerships with new business models. The Bank has entered into tie-ups with major e-commerce players such as Amazon and Flip Kart to leverage the partnership for the growth in MSE loans.

- Customized Products: To cater to the specific needs of its clients the Bank has devised customized products for the SMEs as follows:

  - Doctor Plus Scheme to meet funding requirements of medical practitioners for equipment, clinic or nursing home

  - SBI Medical Equipment Finance to provide term loans for purchase of medical equipment and funding for ancillary equipment

  - SME Construction Equipment Loan to provide loans for purchase of construction equipment for contractors or firms engaged in construction activity

  - Dal Mill Plus Scheme to provide loans for acquisition of fixed assets and working capital needs for dal millers

  - SBI Fleet Finance Scheme to provide loans for purchase of new transport vehicles

  - Open Term Loan which is a pre-approved term loan facility for both manufacturing and service sector enterprises up to Rs. 80.00 million for capital and business development expenditure

- Supply Chain Finance Unit: This unit provides a user-friendly, end to end internet banking platform for the funding needs of dealers of industry majors under the Electronic Dealer Financing Scheme and an end to end internet banking platform for the funding needs of vendors of industry majors under Electronic Vendor Financing Scheme. The Bank has so far financed more than 38,000 dealers and vendors through tie ups with more than 300 industry majors.

- Agri Supply Chain Finance: Commodity Backed Warehouse Receipt Financing- The Bank extends finance to traders/manufacturers against goods stored in their warehouses.

- TReDS (Trade Receivables Discounting System): An online platform to provide financing to SMEs through discounting their receivables from the large Corporates/ PSUs/ Government Dept. It alleviates the problem of inadequate and expensive finance to SMEs. Bank has onboarded two TReDS platform — RXIL (Receivable Exchange of India Ltd.) and M-One (Mynd-Online National Exchange) to finance SMEs at competitive rates.

- Other Schemes/Products for smooth and faster credit delivery to SME sector:

  - SME Credit Card to provide loans for micro enterprises up to Rs. 1.0 million, to meet any kind of credit requirement including purchase of shop or furniture.

  - SME Smart Score-Bank has simplified the credit appraisal process and reduced credit delivery time through SME Smart Score, which is based on a scoring model system to simplify the approval process for loans up to Rs. 5.0 million for manufacturing units, trade and services.

- The Bank is extending collateral free lending of up to Rs. 20.0 million under the credit guarantee scheme of Credit Guarantee Fund Trust for Micro and Small Enterprises.

- The Bank also offers robust internet banking facilities to SMEs.

- Bank offers technical and managerial assistance to SMEs through its consultancy services cell.

- Bank has adopted the Code of Bank's Commitment to Micro and Small Enterprises as prescribed by the Banking Codes and Standards Board of India.

These initiatives have resulted into partnerships with various Industry Majors and SMEs, it provides an important cross-selling opportunity by connecting various stakeholders of the SME ecosystem.

Government Banking

The Bank handles government transactions as an agent of the RBI on behalf of the Government and various state governments. As of March 31, 2018, the Bank's market share of Government business based on the face value of transactions was approximately 67.7%, including such transactions as handling payment and receipts for both the Government and state governments, according to RBI data. The Bank acts as agent for the receipt and payment of government transactions. The Bank collects government revenues by way of taxes, such as central excise and service taxes, through its branches. The Bank also handles government payment functions through its branches, including pension payments and expenditures payments of various ministries. Further, the Bank remits funds deposited by departments such as post and telecommunications, railways, defense and other government departments.

The Bank earns commission income on the payment services it provides. Receipts and pension payments made by the Bank are subject to a fixed fee per transaction, irrespective of the transaction amount. Fees for payments, other than pension payments, made by the Bank are calculated as a fixed percentage of the payment amount.

Commercial Client Group

With an objective of strengthening credit risk management function and to widen the universe of clients to focus on groups where coverage is weak, an exercise on revamping of corporate credit structure and systems and procedures was carried out. The Commercial Client Group ("**CCG**") is the outcome of this revamping exercise and has come into existence with effect from June 1, 2018. This business unit caters to all corporate banking relationships apart from CAG relationships with exposures greater than Rs. 0.5 billion. The total advances level of the CCG as of September 30, 2018 was Rs. 4,225.6 billion.

The CCG seeks to cater to the overall banking requirements of the corporate clients through a relationship management model. It aims to minimize turnaround time for credit assessment and delivery, provide customized solutions to meet the financial and other banking products requirements of the corporate clients.

Corporate customers have been and continue to be an integral part of India's economic development. High concentrations of these customers are located in 23 centers, and are served by the Bank's extensive branch network at those centers. The Bank has 45 dedicated branches that cater exclusively to corporate customers. Relationship managers, who are well versed in credit, foreign exchange, and trade finance, act as a single point of contact for the Bank's corporate customers.

The Bank would give focused attention to business areas such as consortium advances to well-rated customers, taking over selective high-value well rated (investment grade) accounts from other banks, project finance proposals, Bills Discounting business and non-fund based business such as letters of credit and Bank Guarantees, Buyer's credit through SBI foreign offices against stand-by letters of credit issued by CCG branches, extending selective concessions in high-volume/high-income accounts. The Bank offers supply chain finance to leverage the Bank's customer base by offering vendor and dealer financing to link the large corporate, Mid-sized Corporates and SME customer segments served by the Bank. Customers of the Bank can be either industry majors or vendors or dealers.

Relationship managers are assigned to all corporate customers. These relationship managers are mandated to attract more banking business from corporate customers by building close relationships with existing customers, as well as reaching out to potential customers, and familiarizing customers with the various banking products and services offered by the Bank's specialized business groups. Relationship managers focus on cross-selling retail banking services to the customer's management or employees, global markets' interest rate and currency hedging products, mutual fund and life insurance products offered by the Bank's subsidiaries, corporate strategy and new businesses group's point-of-sale machines, cash management products and other products from the Bank's other business groups. A typical relationship manager handles approximately 15 to 20 mid-corporate units and is a customer's central point of contact at the Bank.

The Bank has nine regional offices at eight locations at Ahmedabad, Bangalore, Chennai, Hyderabad, Kolkata, Mumbai, New Delhi and Pune. An Account Management Team ("**AMT**") model, with a manageable number of accounts in each team, consisting of a relationship manager, a credit analyst and a service officer, caters to the entire gamut of customer relationships.

In addition to the monthly review meetings, the Bank has periodical structured interactions, among key functionaries of the Bank, to discuss the various complexities and trends in the business of the Bank. The exchange of ideas and views in these interactions, between the top executives and the operating officials on the ground, becomes useful in the Bank's business growth planning and asset quality management.

Pace Tool, an effective data analytics tool for assessment of fund based working capital requirements of the borrowers, by capturing their actual cash flow, is being utilized for better monitoring of accounts. CCG is in the process of introducing digital applications such as YONO for corporate clients.

The Bank assists customers in India to expand their business activities by helping customers to acquire assets and companies overseas and provides support for such expansion plans, including by way of providing loans to overseas subsidiaries and joint venture companies.

The Government as customer

The SBI Act specifically provides that the Bank, if required by the RBI, shall act as the agent of the RBI for certain banking businesses of the central and state government. The Bank also has regular transactions with PSEs.

In addition to the services described in previous sections, the Bank is a significant lender to both the Government and state governments, primarily in the form of loans to support the governments' food grain procurement and sale activities. As of September 30, 2018, the Bank's loan portfolio for food credit totalled Rs. 103.1 billion. It is the policy of the Bank to only enter into transaction with PSEs in which the terms of the business are no less favorable than those which would have been obtained by the Bank in the normal course of its business.

International Banking Group

As of September 30, 2018, the Bank had a network of 209 foreign offices in 35 countries covering all major time zones. Among its other locations, it is present in New York, London, Frankfurt, Singapore, Hong Kong and the Maldives. Given the opportunities arising from the substantial Indian population in the region, the Bank has entered into tie-ups with exchange companies and banks in the Middle East to facilitate Non Resident Indian ("**NRI**") and other customer remittances to India. The Bank's own international network is supported by correspondent relationships with leading banks in countries across the world and also by relationship management arrangements with several other banks. As of September 30, 2018, the Bank maintains correspondent relationships with 234 leading banks in 57 countries. The Bank also has 4,907 relationship management application arrangements through the SWIFT network, facilitating interbank financial telecommunications.

The Bank's international banking products and services include corporate lending, loan syndications, letters of credit and guarantees, short-term financing, project export finance, and collection of documentary credits and remittances, as well as the raising of funds and other borrowings outside India. The International Banking Group's core activity is to provide these services to Indian and foreign companies with operations inside of India as well as NRIs conducting business in foreign markets. The Bank has executed plans to open branches in certain select foreign jurisdictions with the aim of operating as a local bank, providing commercial and retail products and services to attract both NRI and non-Indian customers.

As part of the centralization of treasury activities of foreign offices, the Bank has set up central treasury hubs in Hong Kong and London. These hubs are intended to aggregate market risks and achieve economies of scale. Besides meeting the foreign exchange and money market needs of their linked branches and undertaking proprietary trading in currencies, the Bank expects that the central treasury hubs will expand their activities to cover interest rate, foreign exchange, credit structures and bond trading.

Leveraging off the Bank's foreign branches, the International Banking Group participates in foreign currency-denominated syndicated loans to large international corporations both in the primary and secondary markets. The Bank's foreign offices have had success in managing documentary credits, and have also been active in providing loans to joint ventures or the wholly-owned subsidiaries of Indian corporates which have acquired companies or set up projects outside India. The Bank's foreign offices have also achieved significant growth in the area of trade finance, particularly by entering into risk participation agreements with several banks. The Bank periodically revises its investment policy for foreign offices in line with international market practice and available products, emphasizing investments in the fixed income products of sovereign, banking and corporate issuers. The International Banking Group's loan portfolio was equal to approximately 14.1% of the Bank's total advances as of September 30, 2018.

The Bank's emphasis on technology is an integral part of its international banking business. A common and modern banking application software, customized to meet local requirements, has been introduced across the Bank's international branches and subsidiaries. Internet banking facility is available at all these foreign offices with special focus on remittance services. Customers at foreign offices now benefit from the instant remittance facility for credits to accounts maintained in Indian offices through centralized SWIFT operations. Remittances to accounts in other banks are routed through the National Electronic Funds Transfer scheme of the RBI. Anti-money laundering ("**AML**") and Office of Foreign Assets Control ("**OFAC**") monitoring is done at all foreign offices with advanced tools.

Global Link Services

Global Payment and Services ("**GP&S**"), a unit under International Banking Group ("**IBG**"), comprise three branches/offices i.e., Global Link Services ("**GLS**"), International Services Branch Mumbai ("**ISBM**"), and International Services Branch Ernakulam ("**ISBE**"). It facilitates online inward remittances from overseas locations in India, foreign currency cheque collection, opening and maintenance of Vostro Accounts, Asian Clearing Union ("**ACU**") transactions and the Bank for Foreign Economic Affairs ("**BFEA**") of Russia.

During fiscal year 2018, GP&S on behalf of domestic branches handled 65,765 export bills (in U.S.$ and Euro currencies) and 65,232 foreign cheque collection aggregating to U.S.$13,601.0 million. During the six month ended September 30, 2018, GP&S on behalf of domestic branches handled 33,468 export bills (in U.S.$ and Euro currencies) and 26,391 foreign currency cheque collection aggregating to U.S.$7,130.0 million.

During fiscal year 2018, GP&S handled 14.03 million online inward remittance transactions amounting to U.S.$9,746 million, received from various global centers. During the six month ended September 30, 2018, GP&S handled 6.4 million online inward remittance transactions amounting to U.S.$4,360 million, received from various global centers.

Project Export Finance

The Bank is an active participant in financing of project export activities of Indian corporations involving bidding for and execution of turnkey and civil construction contracts, export of engineering goods on a deferred payment basis and service exports. The Bank can approve projects without any monetary limits. The Bank also provides bond guarantees for projects during the bidding stage. Once projects are approved, the Bank provides performance guarantees and other non-fund based facilities as well as construction funding if required by the customer.

Foreign Subsidiaries and Joint Ventures

The following table sets out details of certain of the Bank's subsidiaries and joint ventures outside of India as of and for the year ended September 30, 2018.

	As of September 30, 2018					
Name	**Date of Establishment**	**Bank's Shareholdings**	**Number of Branches**	**Total Owned Funds**	**Total Assets**	**Net Profit**
		(%)			**(Rs. in million)**	
Foreign Subsidiaries						
Bank SBI (Canada)[1]	May 5, 1982	100.0	6	8,169.0	54,213.2	400.2
SBI (California)[1]	September 3, 1982	100.0	7	9,869.8	63,178.8	325.4
SBI (Mauritius) Ltd[1]	October 12, 1989	96.6	13	9,676.7	70,220.7	444.3
Bank SBI Indonesia[1]	October 24, 1970	99.0	10	6,653.3	22,998.2	306.1
Nepal SBI Bank Ltd.[1][2]	July 7, 1993	55.0	73	8,291.0	71,048.1	637.8
Bank SBI (Botswana) Ltd	November 26, 2013	100.0	1	856.2	2,717.2	8.2
SBI (UK) Ltd.	April 01, 2018	100.0	12	22,319.5	153,165.0	461.1
Foreign Joint Ventures						
Bank of Bhutan Ltd	May 28, 1968	20.0	38	6565.6	58,186.8	558.1
CBIL Moscow	December 5, 2003	60.0	1	2,109.0	5,490.4	(6.9)
TOTAL	**—**	**—**	**161**	**73,509.9**	**443,049.4**	**3,134.4**

Notes:

(1) Foreign currency translations of Rupee amounts have been made using following approximations of market exchange rates effective as of September 30, 2018: Canada CAD = Rs. 55.71; United States U.S.$ = Rs. 72.485; Mauritius MUR = Rs. 2.105; Indonesia IDR = Rs. 0.004875; Nepal NPR = Rs. 0.625; and Russia RUB = Rs. 1.1075.

(2) Nepal SBI Bank Ltd., formerly an associate of the Bank, became its subsidiary with effect from June 14, 2009 as the Bank acquired a 5.0% additional stake from Agricultural Development Bank Limited, Nepal.

Global Markets Group

The Bank's Global Markets Group is responsible for the Bank's domestic treasury operations, managing its domestic liquidity and funding position in accordance with regulatory reserve requirements and the objectives of the Bank's management. The Bank's overseas treasury operations are conducted by the Treasury Management Group under the International Banking Group. As part of asset liability and liquidity management, the Global Markets Group invests in sovereign and corporate debt instruments, commercial paper and other securities. The Global Markets Group also manages the Bank's foreign currency exposure, engages in proprietary and client trading of currency futures and offers tailor-made structures to the Bank's corporate customers, including foreign exchange and risk hedging derivative instruments such as forward contracts, interest rate swaps, currency swaps, foreign currency options and proprietary trading of interest futures. The Global Markets Group also handles equity trading for the Bank's trading and banking books.

The Global Markets Group manages the Bank's required regulatory reserves and investment portfolio with a view to maximizing efficiency and return on capital. The Bank also seeks to optimize profits from its trading portfolio by taking advantage of market opportunities. The Bank's trading portfolio includes its regulatory portfolio as there are no restrictions on active management of the regulatory portfolio.

The Bank maintains its statutory liquidity ratio by investing in Government securities and actively manages such investments to optimize yield and benefit from price movements. The RBI prescribes the maintenance of a cash reserve ratio of 4.00% of the total demand and time liabilities. Pursuant to the RBI (Amendment) Act, 2006, which came into force with effect from April 1, 2007, the RBI does not pay any interest on banks' cash reserve ratio balances. Due to these regulatory reserve requirements, a substantial portion of the Bank's trading and securities portfolio consists of Government and state government securities. As of September 30, 2018, Government securities constituted 55.8% of the Bank's total trading and available-for-sale securities portfolio, while the remainder included corporate debt securities and equity securities. The Bank had outstanding Government securities worth Rs. 2,867.8 billion under the available-for-sale and held-for-trading categories as of September 30, 2018. The RBI has decided to reduce the SLR requirement of banks by 25 basis points of their net demand and time liabilities every calendar quarter starting from the first quarter in the calendar year 2019.

The Global Markets Group conducts domestic and foreign exchange operations from its integrated treasury located in its headquarters in Mumbai. The Bank undertakes foreign exchange sales and purchases on behalf of its customers through cover operations, occasionally running a position backed by merchant transactions. The Bank also sells RBI-permitted hedging products to the Bank's large-and medium-sized corporate customers through seven regional treasury marketing units which work in close coordination with the relationship managers in the Commercial Clients Group and the Corporate Accounts Group. The hedging products include permitted derivative structures such as foreign exchange forward contracts, options, and currency and interest rate swaps.

The Global Markets Group focuses on increasing marketing of treasury services to the Bank's customers. Its Treasury Marketing unit is the client interface for both institutional and corporate clients and is the link between customers, Bank branches and the Global Markets Group. It focuses on proactively advising clients on trends and products, including customized structured products and foreign exchange products, employing "straight-through" processing to reduce operational risk, innovating new products that respond to customers' needs and providing transparent and competitive pricing. Other market-facing activities of the Global Markets Group include portfolio management services, with assets under management of Rs. 4,786 billion as of September 30, 2018, whose clients include some of India's largest superannuation funds and funds of certain regional rural banks ("**RRBs**") required for SLR requirements. The Bank provides custodial services together with its portfolio management services to institutional customers and retirement funds.

Stressed Assets Resolution Group

The Stressed Assets Resolution Group ("**SARG**") focuses on the timely resolution of NPAs of Rs. 1 million and above. The Bank's Credit Policy and Procedures Committee formulates NPA policy, while the SARG handles the NPAs in accordance with these policies. As of September 30, 2018, the SARG has approximately 1,748 employees and operates from 77 branches throughout India exclusively dedicated to the recovery or rehabilitation of NPAs referred from other business groups within the Bank. The Bank's gross restructured assets as a proportion of its gross customer assets were 2.1%, 2.9%, 4.1% and 4.4% as of September 30, 2018, and as of March 31, 2018, 2017 and 2016, respectively.

These branches report directly to a group head based in the Bank's corporate headquarters, which has enabled the Bank to centralize its efforts to improve the Bank's overall asset quality. SARG first examines the feasibility of restructuring debts referred to it by extending appropriate relief, concessions or soft repayment terms with a view to upgrading such debts into performing assets. If the NPAs are found unsuitable for restructuring, the group takes steps to recover the amounts due to the Bank either by a one-time settlement with the borrower or by selling the NPAs to other banks, financial institutions or other entities. In addition, to reduce small value NPAs (below Rs. 10.0 million), stressed assets resolution centers have been set up in major cities across India. Some of the other strategies adopted by the Bank for resolving NPA issues are restructuring of assets, corporate debt restructuring, organizing recovery camps, settling of dues in a one-time settlement, legal action, initiating action before the debt recovery tribunals, sale of NPAs to asset reconstruction companies, reporting defaulting borrower as willful defaulters to credit information companies, initiating action under the SARFAESI Act, reporting defaulting borrowers as willful defaulters to credit information companies, employing account tracking centers, employing special recovery teams, including in rural areas, and dedicated establishments for recovery and resolution. See "*Selected Statistical Information — Non-Performing Assets*."

Subsidiaries and Joint Ventures in India

In the Group's financial statements, investment in subsidiaries and joint ventures (both in India and abroad) are valued at historical cost after netting of provisions, if any. The Associate Banks Department of the Bank coordinates the Group's management of the subsidiaries.

In addition to its banking subsidiaries, the Group also has a network of non-bank subsidiaries and joint ventures engaged in businesses other than commercial banking. The Group's non-bank subsidiaries include merchant banking, fund management and factoring services. As of September 30, 2018, and of March 31, 2018, 2017 and 2016, such non-bank subsidiaries and joint ventures accounted for Rs. 1,663.2 billion, Rs. 1,554.7 billion, Rs. 1,250.2 billion and Rs. 1,040.0 billion, respectively, of the Bank's total assets. In the Group's financial statements, investments in subsidiaries and joint ventures in India and abroad are valued at historical cost net of provisions, if any, in accordance with Indian GAAP.

The following table sets forth information relating to certain of the Group's non-banking subsidiaries. For a complete list, please refer to the financial statements included in this Offering Memorandum.

		As of and for the year ended September 30, 2018			
Non-Banking Subsidiaries	**Business**	**Bank's Ownership[1]**	**Investment**	**Assets**	**Net Profit/(Loss)**
		(%)		**(Rs. in billions)**	
SBI Capital Markets Ltd	Finance syndication; debt and equity; project structuring and due diligence mergers and acquisitions; advisory; infrastructure project advisory; securitization	100	0.58	13.58	0.81
SBICAPS Securities Ltd[2]	Stock brokering	100	1.25	4.65	0.22
SBICAPS Ventures Ltd.[2]	Venture capital	100	0.39	0.51	0.01
SBICAP Trustee Co. Ltd.[2]	Trustee company	100	0.00	0.92	0.03
SBICAP (UK) Ltd.[2]	Financial services and advisory	100	0.02	0.04	(0.02)
SBICAP (Singapore) Ltd.[2]	Financial services and advisory	100	0.62	0.64	0.01
SBI Funds Management Pvt. Ltd.[3]	Asset management	63	0.31	14.62	2.01
SBI Funds (International) Ltd [4]	Managing offshore funds	100	0.00	0.02	0.00
SBI Life Insurance Co. Ltd	Life insurance	62.10	6.21	1309.84	6.05
SBI DFHI Ltd	Primary dealer trading in Government securities, trustee services	69.04	1.32	60.00	0.02
SBI Cards & Payment Services Pvt. Ltd	Credit cards	74	17.06	170.35	3.31
SBI Pension Funds Pvt. Ltd	Pension funds	60	0.18	0.38	0.01
SBI Global Factors Ltd	Factoring (domestic and international) services	86.18	7.85	12.53	0.06
SBI-SG Global Securities Pvt. Ltd [3][5]	Custody fund accounting services	65	0.52	1.48	0.16
SBI Payment Services Private Ltd	Merchant Acquiring Business General insurance	100	—	—	—
SBI General Insurance Company Ltd.[3][5]	General Insurance	70	7.64	64.72	2.17
SBI Mutual Fund Trustee Co. Pvt. Ltd	Trustee company	100	0.01	0.29	0.02
SBI Business Process Management Services Pvt Ltd.	Business infrastructure services	74	2.73	6.15	0.36
Jio Payments Bank Limited	Payment Bank	30	0.70	2.41	(0.01)
SBI Infra Management Solutions Pvt. Ltd.	Real Estate Management Consultancy Services to SBI	100	0.10	0.08	(0.08)
Total			47.49	1663.21	15.14

Notes:

(1) Shareholding amounts are the aggregate of the Bank's direct and indirect shareholdings.

(2) Wholly owned by SBI Capital Markets Ltd.

(3) Represents companies which are jointly controlled entities in terms of the relevant shareholders' agreement but are consolidated as subsidiaries in accordance with AS 21 "Consolidated Financial Statements" as the Bank's holding in these companies is in excess of 50.0%.

(4) Wholly owned by SBI Funds Management (International) Pvt. Ltd.

(5) Commenced operations during fiscal year 2010.

Life Insurance

SBI Life Insurance Company Limited ("**SBI Life**"), a joint venture between the Bank and BNP Paribas Cardif SA ("**Cardif**"), undertakes the Bank's life insurance business. Prior to September 2017, the Bank owned 70.1% of SBI Life's total capital, Cardif owned 26.0%, while Value Line Pte. Ltd. (an affiliate of KKR Asian Fund L.P.) and MacRitchie Investments Pte. Ltd. (an indirect wholly owned subsidiary of Temasek Holdings Pvt. Ltd.) each owned 1.95%. On September 28, 2017, SBI Life completed an initial public offering of its shares by which the Bank and Cardif sold shares totaling 12.0% of SBI Life's issued capital to the public and SBI Life's shares were listed on the BSE and NSE. As a result, the Bank's shareholding in SBI Life was reduced to 62.1%. As of the date of this Offering Memorandum, Cardif's shareholding in SBI Life was 22.0%. An investment proposal by Carlyle and GIC Private Limited to purchase a 10.0% shareholding in SBI Life has been sent to the Insurance Regulatory and Development Authority of India for approval.

As of September 30, 2018 and as of March 31, 2018, SBI Life's assets under management were Rs. 1,261.66 billion and Rs. 1,162.61 billion, respectively. According to Insurance Regulatory and Development Authority of India data, in fiscal years 2018, 2017 and 2016, SBI Life is one of the largest private life insurers in India with a new business premium market share of 18.5%, 20.0% and 17.3%, respectively. As of September 2018, the new business premium market share was 18.8% amongst private life insurers. As of September 2018 and as of March 2018, SBI Life held its leadership position amongst private life insurers on individual rated premium basis with market share of 21.9% and 21.8%, respectively. SBI Life has also issued the highest number of individual life policies annually among private life insurers since fiscal year 2014 according to Life Insurance Council of India.

SBI Life has been rated "AAA/Stable" by Credit Rating Information Services of India Limited, an Indian affiliate of S&P Global Ratings, for financial strength towards meeting policyholder obligations and "iAAA" by ICRA Limited for its highest claims paying ability and fundamentally strong position.

SBI Life's products are distributed through bank branches also as the primary distribution channel, leveraging the Bank's brand, reputation and large customer base. This strategy leverages the Bank's extensive branch network as well as BNP Paribas' expertise in insurance product offerings through banks, or "bancassurance." For the six months ended September 30, 2018 and in fiscal year 2018, approximately 61.0% and 62.0%, respectively, of SBI Life's new business premiums were sourced through bancassurance. As a secondary distribution channel, SBI Life works with a large number of licensed advisors. The Bank's agency network is one of most productive agency channel. As of September 30, 2018, there were 113,045 licensed advisors. For the six months ended September 30, 2018 and in fiscal year 2018, agency channel contributed 21.0% and 25.0%, respectively, of SBI Life's new business premiums. SBI Life also sells its insurance products through corporate agents, brokers, insurance marketing firms and others including direct sales, which accounted for approximately 18.0% and 12.0%, respectively, of its new business premiums for the six months ended September 30, 2018 and in fiscal year 2018.

The Company's brand, business reputation and customer satisfaction are critical factors in developing new business and maintaining its leadership position. The Company was awarded 'India's Leading Insurance Company- Life (Private Sector) at Dun & Bradstreet BFSI Summit 2018. The Company was recognized as among the Most Trusted Brands by The Economic Times Brand Equity — Nielsen survey in fiscal year 2017 for the seventh consecutive year, the "Private Sector Life Insurance Company of the Year" and "Bancassurance Leader Life Insurance (Large Category)" at the Indian Insurance Awards organized by Fintelekt for two consecutive years. The Company also won the Brand of the year 2016-17 award in the insurance category by World Consulting and Research Corporation. The Company was adjudged Skoch Resilient India awards 2017 for predictive analysis and automation of renewal management system and integrated death claims management system. The Company was also awarded the "Legal Era Risk Award" under the category Most Innovative Risk Management Strategy by Legal Era Risk Awards, 2017, the 'DSCI Excellence Awards 2017' under category 'Best Practices for Insurance Sector' for the 2017 and the LIMRA and LOMA Social Media

Silver Bowl Awards, 2016 at the Social Business Conference for Financial Services in Boston, Massachusetts. According to the Kantar — IMRB survey 2017, in a survey conducted across more than 15 cities in India, the Company was jointly top-ranked for customer loyalty in the life insurance category.

General Insurance

The Bank entered into a joint venture agreement with Insurance Australia Group Limited in 2008 to establish SBI General Insurance Company Ltd. ("**SBI General**"), which commenced operations in fiscal year 2011. As of the date of this Offering Memorandum, the Bank owned a 70.0% stake in SBI General. The Bank continues to leverage its strong bancassurance channels to offer clients general insurance. As of September 30, 2018, SBI General was ranked sixth in terms of personal accident insurance premium in India. The Bank has entered into an agency arrangement with SBI General, pursuant to which the Bank distributes various products of SBI General through its large branch network.

Credit Cards

SBICPSL and SBIBPMSL are joint venture companies between the Bank and CA Rover Holdings, an affiliate of Carlyle, wherein SBI holds 74.0% while Carlyle holds 26.0% in the joint venture. GE Capital's stake in these companies was acquired by Carlye and SBI. SBICPSL has a total card base of over 7 million as of September 30, 2018 and is the second largest issuer in the country with 16.7% market share. SBICPSL posted a net profit of Rs. 3,307.0 million for the half year ended September 30, 2018 and SBIBPMSL posted a net profit of Rs. 361.3 million for the half year ended September 30, 2018. In terms of customer spending, SBICPSL had a 16.8% market share of the total credit card spending in India as of September 30, 2018 and holds the second place in the industry ranking according to the RBI Industry Report (September 2018).

Asset Management Services

SBI Funds Management Private Limited. ("**SBI Funds**"), the asset management company of SBI Mutual Fund, is a joint venture with Amundi. SBI Mutual Funds celebrated over 30 years of investment management in fiscal year 2018. SBI Funds (International) Limited, is a wholly owned subsidiary of SBI Funds. SBI Funds Management has emerged as one of the largest players in India advising various financial institutions, pension funds, and local and international asset management companies.

Specialized Financial Services

SBI Global Factors Ltd ("**SBIGFL**"), a subsidiary of State Bank of India, is a non-banking financial company regulated by Reserve Bank of India. SBIGFL provides domestic and export factoring services. SBIGFL was established following a merger of two leading factoring companies, SBI Factors & Commercial Services Pvt. Ltd and Global Trade Finance Ltd. in 2010. After the merger, SBIGFL was renamed SBI Global Factors Ltd. from March 2010. As of the date of this Offering Memorandum, the Bank held an 86.18% stake in SBI Global Factors Ltd. SBI Global Factors Ltd. registered a profit of Rs. 58.4 million during the six months ended September 30, 2018 and a loss of Rs. 32.4 million 2018 in fiscal year 2018.

Custodial Services

SBI-SG Global Securities Services Pvt. Ltd. ("**SBI-SG**") was set up as a joint venture between SBI and Société Générale Securities Services in 2008. As of September 30, 2018, the Bank holds a 65.0% equity shareholding in SBI-SG Global. SBI-SG Global's clients include international investors including global custodians, foreign institutional investors as well as domestic investors such as financial institutions, mutual funds, insurance companies, portfolio management services, private banks, corporate brokers and retail investors. SBI-SG Global offers its clients custodial and securities services including custody, fund accounting and fund administration.

Private Equity

The Neev Fund, a social infrastructure focused venture capital fund, with a fund size of approximately Rs. 4,300.0 million, was operationalized by the Bank jointly with DFID (UK) and SBICAP Ventures Limited. This Fund, currently in its investment phase, has made six investments in the wind energy, cold storage, dairy sectors, solar energy, education and agriculture. As of the date of this Offering Memorandum, the Fund team is actively looking into other investment opportunities.

Portfolio Investment

The Bank offers a Portfolio Investment Scheme ("**PIS**") service to NRIs on a repatriable and non-repatriable basis.

Regional Rural Banks

The Bank has sponsored, in accordance with the Regional Rural Banks Act, 1976 (the "**Act**"), 18 RRBs covering over 219 districts in 18 states with a network of 5,709 branches as of September 30, 2018. Over the years, changes have been bought in RRBs through various guidelines issued by the RBI and the Government, to align their products, services and process with commercial banks to a large extent. As provided for in the Act and subsequent amendments thereto and in accordance with the various guidelines issued by the Government from time to time, a sponsor bank owes certain responsibilities towards RRBs. These responsibilities include approving annual business plans and quarterly monitoring of performance, extending managerial assistance through secondment of high-level staff, undertaking management audit, facilitating training, guidance and support through the Bank's Treasury and Markets Group and its IT department. As of the date of this Offering Memorandum, the Bank's shareholding in each RRB was limited to 35.0%.

The Government holds 50.0% and each relevant state government holds 15.0% of the shares in each RRB. RRBs cater to the banking needs of customers who are predominantly from rural and semi-urban areas and their operations are concentrated in a cluster of districts in each state. Their target customer group comprises, to a large extent, people engaged in agriculture, small business, retail and services, to whom the RRBs provide banking and financial services such as accepting deposits, providing remittance facilities, extending credit support and cross-selling. RRBs also actively participate in various Central Government initiatives such as, among others, PMEGP, NRLM and PMJDY. The Bank constantly endeavors to strengthen RRBs by enabling the implementation of various IT initiatives such as, among others, EMV Cards, Micro ATMs, Kiosk BC solution, Aadhar Enabled Payment Systems, APBS, IMPS, RTGS and NEFT. RRBs are also operating though BC channel and have operationalized Aadhar Centers at select locations.

Information Technology Systems and Infrastructure

The Bank's IT infrastructure provides connectivity across its large branch network both in India and globally. The Bank has made significant investments in developing its IT infrastructure over the years to improve operational efficiencies and meet customer requirements and market expectation. The Bank continues to focus on developing technology-based products related to its core banking application, internet banking, ATMs, payment systems and trade finance as well as other products, services and systems relating to its internal operational infrastructure and customer-interface. The Bank has received several awards in recognition of its technology infrastructure and operations, including "Technology Bank of the Year", "Enhanced Customer Experience", "Best Use of Digital and Channels Technology", "Best Use of Data", "Best Financial Inclusion Initiatives", "Best Risk

Management, Fraud and Cyber Security Initiatives", "Excellence in Innovation", "Best Smart Technology", "Best Electronic Payment System", "Green IT Award" and "Training and Human Resources and e-learning Initiatives, IT-Based Products and Services" awards at the Indian Banks' Association — Banking Technology Conference, Expo and Awards in 2017.

Mobile Banking Services

The Bank is one of the leading market leaders in a competitive and dynamic mobile banking market, with a market share of 17.3% in terms of the number of transactions and 14.3% in terms of the total value of transactions as of September 30, 2018 according to the RBI.

The Bank's mobile based solutions, State Bank Anywhere, YONO ("you only need one") and BHIM SBI Pay, offer low cost, around-the-clock and real-time banking services to customers, with a focus on efficient use and ensuring security. As of March 31, 2018, the Bank had more than 12 million customers on its mobile banking platform and had 18.3 million users on its unified payments interface platform.

Customers are able to transfer funds with a 24 hours and 365 days-available mode of remittances such as the unified payments interface platform and immediate payment service, making bill payments, recharging their mobile/direct-to-home top-up, viewing bank balance as well as transaction summaries. For investment services, customers can expediently open e-fixed deposits, recurring deposits and multi option deposit schemes with options for pre-mature closures as per they wish. Non-financial transactions services offered include ordering of cheque book, managing or blocking debit cards.

Paperless Banking

The Bank has implemented a number of paperless banking solutions, including its Green Channel Counter and Green Remit Card. The Bank's Green Channel Counters enable a branch customer to conduct various transactions such as making deposits, withdrawals and fund transfers without filling out any paperwork, which allows customers to save time and paper resources. A customer swipes their ATM or debit card on a point-of-sale machine located at the bank teller's window, selects a transaction type and amount and inputs a personal identification number. The information is electronically delivered to the terminal of the bank teller for completion of the transaction.

The Bank's Green Remit Card is a paperless banking solution that allows customers to transfer funds into the accounts of others. The Bank also introduced a "virtual" debit card called State Bank Virtual to address customer concerns relating to debit card fraud in ecommerce transactions. This enables a customer to log into his or her online banking account to create a virtual debit card which will expire in 48 hours and can be used for only one transaction. The Bank believes this service will promote e-commerce by providing additional security and reliability for making online purchases.

Internet Banking

As of September 30, 2018, all of the Bank's domestic branches were authorized to register customers for internet banking services, and approximately 52.4 million customers in the retail segment and approximately 2.1 million customers in the corporate segment were registered for internet banking. The internet banking service is accessed through the Bank's website at www.onlinesbi.com. The Bank's internet banking solution is a cost effective channel and a comprehensive product for both retail and corporate users, including public sector undertakings and government agencies. For the six months ended September 30, 2018 and in fiscal years 2018, 2017 and 2016, the Bank's internet banking enabled approximately 774.1 million, 1,568.4 million, 1,398.7 million and 1,242.5 million transactions. The Bank's corporate internet banking solution enables small, medium and large corporates to establish an effective interaction with the government treasury and accounts departments. The Bank has optimized its internet banking platform for visually impaired customers.

For retail users, the Bank's internet banking portal offers a host of services, such as balance inquiry, e-account statements, interbank and intra-bank fund transfers, online bill payments, online tax payments, online creation and closure of fixed deposits, request for issuance of check books, demand drafts, banker's checks, gift cards, as well as stop payment requests for checks. It also enables viewing and downloading of dematerialized account statements, online applications for initial public offerings ("**IPOs**") through the applications supported by blocked amount ("**ASBA**") process, donations to charitable and religious organizations and relief funds, mobile and DTH recharging and payment of insurance premiums.

For corporate customers, including SMEs, the Bank offers dedicated internet banking services that include specifically tailored features including various online features such as account inquiry, funds transfer to personal and third party accounts, various tax payments, online payment of customs duty, e-collection facilities, payments to registered suppliers, bulk upload facilities for the payment of bills, salary and taxes, top-up of pre-paid cards, remittance to intrabank and interbank beneficiaries, electronic dealer and vendor financing, issuance of online drafts in bulk, a direct debit facility, IPO subscription through the ASBA process, viewing and downloading of dematerialized account holdings as well as online payment of employee provident fund subscriptions.

The number of internet banking users at the Bank was 54.5 million, 47.6 million, 38.2 million and 26.3 million as of September 30, 2018 and as of March 31, 2018, 2017 and 2016, respectively.

Dematerialized and Online Trading

SBICAP Securities Ltd ("**SSL**") is the brokerage arm of the Bank and a wholly owned subsidiary of SBI Capital Markets Ltd. SSL commenced operations in the first quarter of the financial year of 2006-2007 with a view to providing primary and secondary capital market access to investors both within the Bank as also in the wider public domain. The Bank's online trading services arrangement with SSL is available at over 110 branches across India. The service provides access to dematerialized trading in equities, derivatives and investments in initial public offers, follow on public offers, mutual funds, exchange traded funds from home or office through www.sbismart.com. As of September 30, 2018 over 1.6 million customers held dematerialized accounts with SSL. The Bank's objective is to continue to broaden its customer base, while continuously improvising on its demat and online trading products with additional value-added services and features.

IT Infrastructure

Core Banking Solution

The Bank has the largest core banking platform in India and has been benchmarked to process an average transaction load of over 23,000 transactions per second and processing capability of two billion accounts. All of the Bank's branches are connected to the Bank's core banking application, a centralized database that provides for online real-time transaction processing efficiently across branches, through a centralized processing center. The core banking application includes a disaster recovery site which can host critical banking applications in the event of a disaster at the primary site. Since its implementation, the core banking application has been refined to enhance processing capabilities, improve management information systems, increase efficiencies relating to asset-liability management, reduce transaction costs and improve overall operating efficiency.

With all domestic branches of the Bank connected through the core banking application, the Bank is able to process bulk direct debits, direct credits and other centralized solutions, without having to utilize the services of any intermediate banks in the payment chain, ensuring a high level of data privacy for corporate clients. In addition, this extensive network of branches connected to the core banking application has increased the Bank's transaction processing capacity and efficiency, enabling customers to carry out their payments and collections across all of India, while centralizing their cash management in Mumbai. The Bank's CMP platform has enabled corporations to improve their liquidity management.

The Bank has implemented biometric authentication at all branches as a second level authentication system for core banking application users with a view to prevent fraud perpetrated through the misuse of passwords. The Bank has also conducted a performance benchmarking exercise for its core banking application for establishing scalability and capacity of core banking infrastructure to meet future business requirements. In addition, the Bank's international offices also use the core banking solutions assimilated with various add-on and support applications to meet all the regulatory requirements in addition to providing superior customer experience.

Other IT-based Services

The Bank provides e-Freight, an online payment facility for railway freight. E-Freight is supported by a guarantee from the Bank. The Bank also provides e-Auction services for the Government, state governments and public sector undertakings, a system to optimize the price of goods to be auctioned to ensure an open and transparent auction process. The Bank's IT-based initiatives also include cyber treasury, e-tendering, e-tax and i-collect. The Bank facilitates the online collection of taxes, fees, earnest money deposit towards e-trading and e-auction through a multi-option payment system interface with portals of public sector undertakings, corporations and government departments.

State Bank Connect

State Bank Connect is the Bank's principal connectivity platform and is the backbone for its overall technology infrastructure. The Bank depends on State Bank Connect to support business-critical applications such as the Bank's core banking application, trade finance software, ATMs, payment systems, cash management, corporate email and internet portals. State Bank Connect is a secure, robust WAN, connecting all branches and ATMs of the Bank through wired data circuits, very-small-aperture terminals and other wireless connectivity technologies. State Bank Connect's primary point-to-point data links have recently migrated to multiprotocol label switching infrastructure to increase uptime and enable upgrade of bandwidth.

Trade Finance Project

The Bank operates a centralized trade finance solutions platform, CS Exim bills, which has been customized and extended across all of the Bank's branches conducting trade finance activities. CS Exim bills automates the full range of trade finance activities from document preparation, calculation of commissions and foreign exchange to accounting, the generation of SWIFT messages and report management. The application supports a wide range of trade finance functions, such as letters of credit, bank guarantees, bills, pre-shipment and post-shipment credit, forward contracts, shipping guarantees and standby letters of credit. A web based application (eTrade SBI) has a facility for customers to access relevant services over the internet.

CS Exim bills has been integrated with the core banking application and treasury applications to facilitate the seamless flow of data entered across multiple systems resulting in various benefits including multi-currency accounting, faster turnaround for clients and data integrity across systems. As of September 30, 2018, 2,046 branches (including trade finance central processing centers and their linked branches) were enabled for the Bank's CS Eximbills application and over 13,194 corporate customers have been provided with similar functions through customer enterprise applications over the internet.

Recent Initiatives

The Bank focuses on leveraging centralized IT administration to maximize the benefits of IT across its branches and banking operations, including lower total cost of technology management and reduced time and cost to set up a new branch.

Under its check truncation initiative, the Bank has reduced the time it takes for checks to clear and settle by converting physical checks into digital copies for onward transmission.

The Bank has developed a single repository of enterprise data as part of its Enterprise Data Warehouse Project. The Enterprise Data Warehouse Project integrates master and transaction data from major source systems in the Bank, including foreign offices and subsidiaries. The Enterprise Data Warehouse Project integrated the two different core banking systems that the Bank had for domestic and overseas customers which enabled a complete review of a customer's accounts with the Bank. This information is made available to customer facing departments to enable them to offer enhanced customer service to a customer.

The Bank conducts reviews and analyzes business operations integral to the Bank including channel performance and profitability, channel migration, product and customer profitability, customer one view, stressed assets, branch productivity, remittances and KYC and AML compliance, and provides the results of such analytics with the business units for further action. The Bank has developed and made available to business units and branches various business dashboards and analytical reports, which also allow audit departments to inspect and share information at various levels for effective decision making. Data is also shared with certain credit information agencies, such as CIBIL, Highmark, Experian and Equifax. In addition, the Bank has developed an analytics policy to focus on key business areas such as customer acquisition and retention, cross-selling or up-selling of products, NPA recovery and reduction, risk management, product profitability, staff productivity and cost reduction. The Bank has also developed certain predictive models to carry out analytical studies in these areas. The Bank is also in the process of expanding its analytical capabilities in niche areas such as digital and data domains.

The Bank's recent initiatives include the introduction of linking Aadhar numbers to the Bank's newly opened accounts under the Bank's financial inclusion programs, a new screen in the core banking system to reflect LPG-ID registration information, SBIINTOUCH machines for the younger generation of customers to open bank accounts, access internet banking, generate debit cards and obtain approvals for loans instead of having to physically visit the Bank's branch and a mobile banking application called "State Bank Anywhere." In addition, the Bank also launched SBI Quick, which is a simpler and more efficient way to obtain a mini-statement of accounts through mobile phones.

Business Process Review

The Bank seeks to continually review its operations and processes in light of changing market demand and customer needs. Initiatives seek to reach out to acquire new high net worth customers, build deep and lasting relationships with existing customers and provide all customers with the best quality of service across multiple channels.

Developing new IT-supported delivery channels is an important initiative designed to meet changing market demand. The Bank has migrated a significant number of transactions over the years from its branches to alternate service channels including ATMs, internet business correspondents and point-of-sales. For the six months ended September 30, 2018, 83.5% of the Bank's transactions were conducted through alternate channels. Sales and service activities have been segregated and specialized sales teams have been created to cater to customers' specific requirements. Relationship managers have been deployed to cater to specific segments of customers. The Bank now promotes multi-city checks, which can be paid at all Bank branches across India.

As a result of such initiatives, the Bank is handling an increased volume of customer transactions and deriving the benefits of standardization, skill pooling, economies of scale, improved ambience and significantly increased and accommodative customer space. Current initiatives focus on new processes and technology upgrades in order to create and sustain market-leading practices so as to retain a leadership position in the Indian banking industry.

Awards

The Bank has received notable awards including:

- "Best Bank in India award 2018" (Global Finance)
- "India's Most Trusted Banking and Financial Services Institution Brand 2018" (Trust Research Advisory Private Limited)
- "Yono" was awarded under 'Mobile Initiative of the Year' category
- "Best Performing Primary Lending Institution under Credit Link Subsidy Scheme 2018" (Government of India)
- SIVA (SBI Intelligent Voice Assistant) (the Economic Times)
- "Skoch CSR Awards Gold 2018 at the 'SBI gift hope gift life' programme with the Mohan foundation (NGO) for organ donation and sensitization" (SKOCH Group)
- "Financial Technology Award 2017" by the Skoch Group;
- "Financial Technology Award 2017" by the Skoch Group for banking events data accelerator;
- "Financial Technology Award 2017" by the Skoch Group for personal mobile banking app;
- "Hellen Keller Awards 2016" for Role Model Company;
- "Bank of the Year (Public Sector)" by Business Today (Money Today);
- "Most Trusted Brand in Loan" by Reader's Digest;
- "The Asian Banker Award for Best Core Banking Implementation Project" by the Asian Banker;
- "India's Best Public Sector award, 2016" by Dalal Street Investment Journal
- "Brand of the Year Award 2016 in Banking" by World Branding Forum;
- "Raj Bhasha Kirti Prushkar 2016" by Ministry of Finance, Central Government;
- "Best Home Loan Provider Bank 2016" by National Real Estate Development Council;
- "India's Best Bank Award 2016" by Financial Express; and
- "Golden Cart Awards 2016" by BW Business World.

Competition

The Bank faces competition in all its principal areas of business. Private sector banks, foreign banks and other public sector banks are the Bank's main competitors, followed closely by finance companies, mutual funds and investment banks. The Bank may also face increased competition from foreign banks if the Indian retail market is further liberalized or if regulations and restrictions upon branch network growth by foreign banks are simplified or reduced. The Bank seeks to gain a competitive advantage by offering innovative products and services, maximizing the functions of its extensive branch network, in particular in rural and semi-urban areas, investing in technology and building on relationships with the Bank's key customers. See "*Risk Factors — Risks relating to the Bank's Business — The Indian banking industry is very competitive and the Bank's growth strategy depends on its ability to compete effectively*."

Corporate Banking

Corporate banking faces competition from foreign and private banks in such areas as pricing, Rupee loans, foreign currency loans, foreign exchange transactions, trade finance services and cash management services. The lower risk rating of corporate clients, as well as the higher income generating capacity due to the volume and diversity of their business, attracts foreign and private banks to this sector. Foreign banks also have the advantage of their home country connections, with much larger and cost effective resource raising abilities. However, the Bank believes its extensive low-cost deposit base in India and its large branch network in India and abroad provides it with a competitive advantage in meeting customers' borrowing expectations.

Traditional corporate banking also faces competition from the disintermediation of financial products. Customers increasingly have multiple financing sources available to them beyond those generally provided by traditional banks, which in turn is putting pressure on margins. The Corporate Accounts Group has been able to counter this competition through strong customer relationships, as well as through efficient and focused delivery of products and services. This has been most noticeable in the area of trade finance services, including letters of credit. To further counter the downward pressure on margins, the Bank intends to focus on developing new fee-based services, such as supply chain financing and wholesale banking services such as payment and collections services through its cash management product ("**CMP**") platform.

Retail Banking

In the retail banking sector, the Bank faces competition primarily from foreign and Indian commercial banks and housing finance companies. Foreign banks typically focus on limited customer segments, such as high net worth individuals and mass affluent, and geographic locations due to limitations of their smaller branch networks relative to Indian commercial banks. Indian commercial banks generally have wider distribution networks than foreign banks, but relatively weaker technology and marketing capability. The Bank seeks to compete in this sector by offering a wide product portfolio through its extensive branch network and by leveraging its client relationships in diverse market and geographic segments. In addition, in rural banking and micro finance, the Bank believes it can build on the strength of its extensive geographic presence and reputation to continue to expand in these areas.

The Bank has sought to capitalize on its extensive and diverse corporate relationships to gain individual customer accounts through payroll management products. Furthermore, it intends to continue to pursue a multi-channel distribution strategy using physical branches, ATMs, call centers and the internet to reach customers.

In recent years, investment in mutual funds has become an increasingly viable alternative to traditional banking products, since they offer tax advantages and have the capacity to earn competitive returns. This has resulted in competition for the deposit base of the Bank's retail customers. The Bank has sought to address the competitive pressure by offering a wider range of mutual fund products to its customers in addition to traditional deposits.

International Banking

The Bank's international strategy is focused on India-linked opportunities, and the Bank also intends to expand its banking operations to serve non-resident Indians as well as local clients in its host countries. In its international operations, the Bank faces competition from other Indian banks with overseas operations, as well as foreign banks with products and services targeted at non-resident Indians and Indian businesses and other service providers. The Bank intends to leverage its strong relationships with Indian corporations in its international business.

Government Banking

The RBI conducts Government and state government business through all public sector banks and only three private sector banks. Private sector banks have gradually increased their market share in government operations, and if the Bank is unable to successfully compete with private sector banks or other public sector banks for such business or if the commission rates paid by the RBI to dealing banks are reduced, the Bank's business and/or income derived from such government operations will be adversely affected. The Bank intends to meet these challenges by leveraging its strong historical relationship with Government departments and ministries, robust core banking solution-enabled branch network, state-of-the-art technology, proven capabilities to meet Government requirements in providing customized e-solutions, as well as a dedicated, well trained work force that handles Government business effectively and efficiently.

Legal and Regulatory Proceedings

The Bank is involved in certain legal proceedings in the ordinary course of its business. However, as of the date of this Offering Memorandum, the Bank is not a party to any proceedings, and is not aware of any current, pending or anticipated proceedings by governmental authorities or third parties, which, if adversely determined, would have material adverse effect on the Bank's financial condition results of operations. See "*Risk Factors — Risks Relating to the Bank's Business — The Bank is involved in various litigation matters. Any final judgment awarding material damages against the Bank could have a material adverse impact on its future financial performance, stockholders' equity and the trading price of the Notes.*"

Insurance

The Bank maintains its own insurance policies and coverage that it deems to be appropriate. The Bank's standard insurance policies cover for losses of or damage to property including furniture, fixtures, computer hardware, ATMs and vehicles. Cash-in-transit, cash, securities and precious metals and other valuables are covered against theft. In addition, the Bank has also obtained a fidelity policy for employees, as well as directors' and officers' liability insurance to cover the Bank's directors and other key management members. The Bank carries insurance coverage commensurate with its level of operations and risk perception.

Employees

As of September 30, 2018, the Bank had 255,704 employees (including contractual officers and officers posted abroad) of whom 42.7% were officers, 39.8% were clerical staff and 17.5% were subordinate staff. The Bank's employees include professionals in business management, accountancy, engineering, law, computer science, economics and other relevant disciplines. The Bank's team of employees is guided by a common vision, shared values and the highest standards of integrity and governance.

The following table sets forth, for the period indicated, the average business per employee and average business per branch.

	As of and for the year ended March 31,			As of and for the six months ended September 30,
	2016	2017	2018	2018
	(Rs. in million)			
Average business per employee	141.1	162.4	167.0	182.6
Average business per branch	1,773.3	1,934.5	2,000.2	2,113.3
Net profit per employee	0.5	0.5	(0.2)	(0.3)
Net profit per branch	5.9	6.1	(2.9)	(3.5)

Notes:

(1) Calculated on the basis of net profit for the year or period as divided by the average total number of employees of the bank as of the last day of the relevant year or period.

(2) The number of employees includes employees in foreign offices and contractual employees.

(3) The number of branches includes foreign branches.

The Bank believes that its employees are its most valuable assets. The Bank has implemented e-learning to provide online training and assessment as well as an internal social networking website for employee interaction. The Bank's training system functions under the supervision and guidance of the Bank's Strategic Training Unit and six apex training institutes and 52 learning centers under them.

The Bank faces competition for the recruitment and retention of its employees. Losing qualified employees to competitors has been a concern for the Bank in the past and is likely to be a continuing concern for the Bank in the future. In order to keep the employees engaged and motivated for high levels of productivity, the Bank has modified and implemented an IT-based "One Umbrella" performance-linked incentive scheme, which covers both the Bank's core and non-core business operations. The incentive payment to employees is linked to the category of an employee's position vis-à-vis his or her level of performance.

The Ethics and Business Control Department of the Bank was established in 2017 under the management of the Bank's Chief Ethics Officer, who plays a major role in maintaining business ethics in the Bank.

Human capital is the most critical component for the Bank to achieve its strategic corporate goals. The Bank's HR policy is being constantly reviewed to align with its business goals. The Bank's HR vision has been built around the principles of inclusiveness, empowerment and development, including for the approximately 71,000 new employees of the Bank as a result of the merger of the Bank with its five associate banks and Bhartiya Mahila Bank Ltd. The Bank has also commenced various initiatives for the benefit of its employees to promote a healthy work-life balance.

The Bank has rolled out the scheme called 'SBI Gems'. Senior officials may award "gems" to junior colleagues across the Bank as a token of appreciation for their quality of performance. The Bank also launched the 'SANJEEVANI-SBI HR helpline. It is a two-way communication channel between employees and the HR Team through an interactive voice response system to provide quick and meaningful resolution of HR matters. Employees can utilize the SANJEEVANI helpline facilities by phone, SMS and e-mail.

In addition, the Bank has launched the Career Development System ("**CDS**") or "Saksham" with the objective of approaching performance review of employees and resource planning in a scientific and objective way at all levels in the Bank. CDS is designed to help ensure transparency and to provide an opportunity for systematic, dynamic and progressive career planning to an individual. CDS is intended to be an effective tool for promotion, incentives and rewards for the Bank's employees.

Properties

The Bank's principal network consists of 22,311 branches and 51,808 ATMs as of September 30, 2018. These facilities are located throughout India. In addition to the branches, extension counters and ATMs, the Bank maintains 16 administrative circles. The Bank undertook a revaluation of its immovable properties for the first time in June 30, 2016 in accordance with the RBI Guidelines. Under the Bank's policy, properties are revalued once every three years and the properties acquired during the last three years are excluded from such revaluation exercise. The Bank's next revaluation is scheduled in June 30, 2019. The Bank's total revaluation reserve amounted to Rs. 247.5 billion as of September 30, 2018.

DESCRIPTION OF THE BANK'S LONDON BRANCH

Background

The Bank believes that London is a key international financial center, acting as a global leader in Eurobond and foreign exchange trading. London offers transparent and highly liquid markets, access to a large pool of global capital and technologically advanced trading systems.

The United Kingdom is an important trade partner for India, in part due to its significant Indian population. The Bank regards the London Branch as one of its most important foreign offices on account of its strategic location, business profile and past experience.

Key Objectives of the London Branch

The key objectives of the London Branch are:

- Raising resources through customer deposits and other modes which include, among others, bankers' acceptances and repo;
- Arranging bilateral, syndicated loans and guarantees for Indian and overseas coroprations and participating in syndicated facilities in the primary and secondary markets;
- Investing in debt securities and structured products in the primary and secondary markets;
- Trade financing with a focus on India-related businesses; and
- Serving as a hub for centralized treasury operations to support the funding requirements of the Bank's branches in Europe, Johannesburg and Tel Aviv as well as providing treasury services to other offices.

The Bank's U.K. Operations

The U.K. operations of the Bank currently include the main London Branch which predominantly undertakes wholesale banking activities referenced above for corporations. The main London Branch is governed by the corporate policies of the Bank issued from the Bank's Corporate Center in India, and is regulated by the U.K. Prudential Regulation Authority ("**PRA**") and Financial Conduct Authority ("**FCA**"). In addition to unregulated activities, the permission granted by the PRA under the Financial Services Markets Act 2000 allows the following regulated activities:

- accepting deposits; and
- dealing in investments as agent and as principal.

As of the date of this Offering Memorandum, the London Branch was in compliance with the PRA requirements relating to liquidity maintenance as well as home country exposure limits.

The London Branch is also subject to the regulations and directives of the RBI as applicable to overseas branches of Indian banks.

The London Branch intends to continue to focus on its key objectives as discussed above. IT systems at the branch are being continuously enhanced and upgraded. With various technology initiatives and new products, the London Branch expects to further strengthen its already strong relationship with the Indian community.

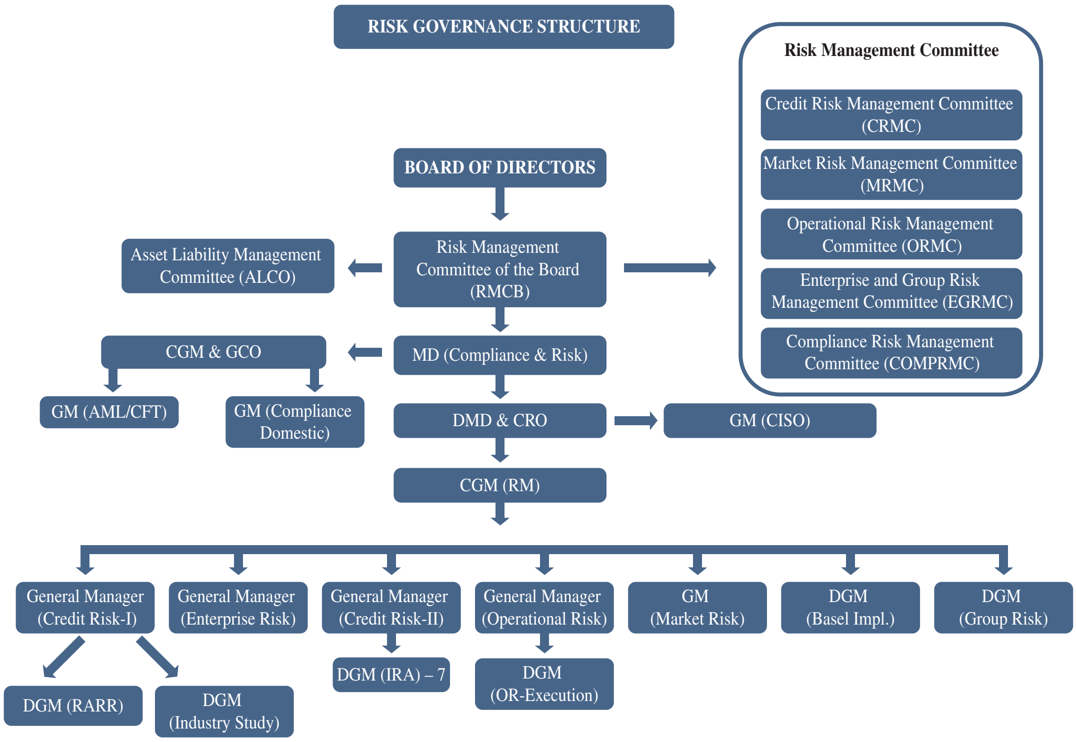
RISK MANAGEMENT

The Bank is exposed to various risks that are an inherent part of any banking business, with the major risks being credit risk, market risk, liquidity risk and operational risk. The Bank has various policies and procedures in place to measure, manage and monitor these risks systematically across all its portfolios.

These policies are reviewed by the Board of Directors from time to time. The Board of Directors also reviews the progress in the implementation of risk management systems, asset liability management, risk based supervision and a risk based internal audit at quarterly intervals.

The Risk Management Committee of the Board ("**RMCB**") oversees the policy and strategy for Bank -wide risk management relating to various risk exposures of the Bank including credit, market liquidity and operational risks.

The RMCB is supported by various risk committees, namely the Credit Risk Management Committee, the Asset Liability Management Committee ("**ALCO**"), the Market Risk Management Committee, the Operational Risk Management Committee and the Enterprise and Group Risk Management Committee. These committees are in place to address credit, market, liquidity, interest rate, operational risk and enterprise and group risk matters. Critical issues and developments in their respective areas are referred to these committees.



The Bank has a Deputy Managing Director as Chief Risk Officer who reports to the Managing Director (Stressed Assets, Risk & Compliance). The Credit Risk Management Department, the Market Risk Management Department, the Operational Risk Management Department, the Enterprise and Group Risk Management Department and the Basel Implementation Department all report to the CRO through the Chief General Manager (Risk Management). The Department of the Chief Information Security Officer reports directly to the CRO. These seven departments act independently and coordinate with the business units to implement risk management policies. ALCO is headed by the Chairman of the Board.

Risk Management Structure

The Bank has an independent risk management system, which the management believes is in line with international best practices, to address the risks faced in its banking activities including liquidity, interest rate, market, credit and operational risks. As a financial institution, the Bank is exposed to various kinds of risk, in particular liquidity risk (the possibility of not having the necessary funds to meet operational and debt servicing requirements), interest rate risk (the risk associated with movements in interest rates), credit risk (the potential for loss due to the failure of a counterparty or borrower to meet its financial obligations), market risk (the possibility that changes in interest rates, foreign exchange rates, prices of debt and equity securities and other financial contracts may have an adverse effect on the Bank's financial condition) and operational risk (including risks arising from inadequate or failed operational processes, people and systems).

The risk philosophy of the Bank is guided by the twin objectives of enhancement of shareholder value and optimum allocation of capital. Risk management is perceived as essential to business growth and strategic business planning, achieved by constant monitoring of the interdependencies and interfaces across business functions.

The Bank's exposure norms are in line with the norms prescribed by the RBI for commercial banks and financial institutions. According to these norms, exposure by way of direct assistance to any single borrower may not exceed 15.0% (extendable to 20.0% in the case of infrastructure projects) of the Bank's capital funds (Tier I and Tier II capital) although in exceptional circumstances and with the consent of the Board, the Bank could consider increasing exposure to a borrower up to a maximum of a further 5.0% of the Bank's capital funds, subject to such borrower's consent to appropriate disclosure in the Bank's annual report. Exposure to any single business group may not exceed 40.0% (extendable to 50.0% in the case of infrastructure projects) of the Bank's capital funds.

The Bank believes it has the policies and procedures in place to manage its risks and to anticipate future risk based on RBI guidelines and what management believes are international best practices. The primary responsibility for the management of risk rests with the Board, which has approved the policies and organizational structure for various risk management measures.

Credit Risk Management

The Bank is exposed to credit risk due to the possibility that a borrower or counterparty may fail to meet its obligations in accordance with agreed terms, principally the failure to make required payments on loans or other obligations due to the Bank. Credit risk management aims at building up sound asset quality and the long-term profitability of the institution. It involves activities such as risk identification, risk measurement, risk mitigation and risk-based pricing. For this purpose, the Bank has a policy on credit risk management, credit risk mitigation and collateral management which incorporates guidelines issued and observations made by RBI. The Bank manages its portfolio of loan assets with a view to limiting concentrations in terms of risk quality, geography, industry, maturity and large exposure aggregates by providing a centralized focus to its credit portfolio and instituting a suitable mechanism for its management.

In addition to credit risk management, the internal audit system acts as a third line of defense as part of the overall risk management framework of the Bank. This is an integral part of the Bank's risk management system and helps identify early warning signals of potential problems.

Individuals	Maximum aggregate credit facilities (fund-based and non-fund-based) of Rs. 500.0 million (other than against specified securities for which there is no restriction).
Non-corporate (such as partnerships, associations)	Maximum aggregate credit facilities (fund-based and non-fund-based) of Rs. 1.0 billion (other than against specified securities for which there is no restriction). The above ceiling will also be applicable to the aggregate of all facilities sanctioned to partnership firms which have identical partners.
Corporates	Maximum aggregate credit facilities in accordance with prudential norms of the RBI on exposures.

The Bank's current credit policy prescribes that the Bank's aggregate term loans with residual maturity of over three years should not in the aggregate exceed 40.0% of the total advances of the Bank. The Bank's policy is to restrict fund-based exposure to a particular industry to a maximum of 15.0% of the Bank's total domestic exposure. In addition, the Bank restricts term loan exposure to infrastructure projects to 30.0% of the Bank's total domestic advances.

The Bank's exposure to certain "**sensitive sectors**," including capital markets, real estate, and sensitive commodities (as prescribed by the RBI) are subject to the following limitations:

- *Real estate:* the Bank's exposure shall not exceed 30.0% of the Bank's total advances.
- *Sensitive commodities:* the Bank's exposure shall not exceed 5.0% of the Bank's net worth as of the end of the Bank's previous fiscal year.
- *Capital markets:* the Bank's exposure shall not exceed 40.0% of its net worth (as specified and defined by the RBI) as of the end of its previous fiscal year, as applied to both fund-based and non-fund-based exposure to all forms of capital markets products.

The Bank's major exposures to individual borrowers and borrower groups are consolidated and disclosed to the Board at their regular meetings. The Credit Risk Management Department conducts studies on various industries to examine the quantitative and qualitative measures that should be considered in regard to the handling of the Bank's current exposure to various industries. These studies are also meant to provide information to help the Bank determine the merits in taking on additional exposure to various industries.

The Bank has credit risk assessment models in place based on the activity of the borrower including manufacturing, infrastructure projects, trade, non-banking financial companies, banks and primary dealers. Although not currently required by the RBI, the Bank's risk assessment model for manufacturing entities complies with the advanced internal ratings based approach.

The Asset Liability Management Committee ("ALCO")

The Bank has an asset liability management policy which prescribes various prudential limits for liquidity risk and interest rate risk management. ALCO is responsible for managing liquidity and interest rate risk. To this end, ALCO manages and controls the structure of assets, liabilities and interest rate sensitivity with a view to maximizing profits. It also ensures capital adequacy and sufficient liquidity. The Bank has made significant efforts to improve its market risk management capabilities and fine-tune its management information systems, incorporating suggestions from the RBI as well as from the Basel Committee on Banking Supervision. For example, pursuant to RBI policy guidance, the Bank prepares a structural liquidity statement on a daily basis for reporting to top management. It has also implemented the risk management module of the Oracle financial services application, an asset liability management software solution for strengthening the risk management process.

Liquidity Risk Management

Liquidity risk comprises the risk of not being able to raise the necessary funds from the market to meet operational and debt servicing requirements. An important objective of the Bank's liquidity management is to maintain an optimal asset to liability maturity portfolio that minimizes liquidity risk while maximizing profit. The Bank ensures that proactive steps are taken to meet all impending liquidity requirements. Borrowing is also timed in consideration of overall market liquidity and not just requirements of funds. The Bank also maintains a reasonable level of investment in liquid securities which can be liquidated at short notice.

The Bank monitors its liquidity position through a structural liquidity gap analysis carried out on a daily basis in accordance with RBI guidelines on asset liability management. The liquidity position is also monitored through a stock-based approach and presented to the top management on a daily basis while a review of the contingency funding plan is placed before ALCO at quarterly intervals. The liquidity coverage ratio (**"LCR"**) position of the Bank is being monitored on a daily basis with monthly reporting to the RBI/ALCO.

The Bank has an extensive branch network and therefore holds deposits from a large number of retail customers. These deposits provide a stable resource base. In addition, liquid assets in the form of cash, balances with other banks and short-term securities help to meet the liquidity requirements of the Bank.

The Bank is working on implementing the final guidelines of the RBI on liquidity risk management and Basel III framework on liquidity standards.

Interest Rate Risk Management

Since the Bank's balance sheet consists predominantly of assets and liabilities denominated in Rupees, movements in domestic interest rates constitute the main source of interest rate risk. The Bank's portfolio of traded and other debt securities and its loan portfolio are impacted by movements in interest rates. Exposure to fluctuations in interest rates is measured primarily by way of a gap analysis, providing a static view of the maturity and re-pricing characteristics of the Bank's balance sheet positions. Interest rate gap reports in major currencies are prepared by classifying all assets and liabilities into various time period categories according to their contracted maturities or anticipated re-pricing dates. The difference in the amount of assets and liabilities maturing or being re-priced in any given time period gives the Bank an indication of the extent of exposure to potential impact on re-priced assets and liabilities. The interest rate gap report is prepared monthly as of the last reporting Friday of each month, in accordance with RBI requirements. In addition, exposure to interest rates is measured through a sensitivity analysis which examines the impact of interest rate movements on the Bank's financial condition. Further, a duration gap analysis is also prepared to measure the impact of interest rates on the market value of both the equity and debt portfolios.

Market Risk Management

Market risk refers to potential losses arising from volatility in interest rates, foreign exchange rates, equity prices and commodity prices. Market risk arises with respect to many types of financial instruments, including securities, foreign exchange contracts, equity instruments and derivative instruments, as well as balance sheet gaps. The objective of market risk management is to avoid excessive exposure of the Bank's earnings and equity to loss and to reduce the Bank's exposure to the volatility inherent in financial instruments.

Risk measurement and monitoring entails the valuation and marking-to-market of market risk exposures, updating rates and models used for valuations and preparing simulations showing effects of possible changes in market conditions. Exposure to individual corporations is regulated by adequate thresholds determined by such models and simulations. Market risks relating to treasury operations are regularly and independently identified, measured, and monitored by the Market Risk Management Department, which is subject to clear functional separation from the front office and back office.

The Bank deals in over-the-counter interest rate and currency derivatives as well as exchange-traded interest rate futures and currency futures. Interest rate derivatives offered by the Bank include Rupee interest rate swaps, foreign currency interest rate swaps and forward rate agreements.

Currency derivatives offered by the Bank include currency swaps, Rupee dollar options and cross-currency options. Derivatives are also used by the Bank for both trading hedging balance sheet items. Interest rate futures and currency futures are traded by the Bank through notified stock exchanges.

Derivative transactions carry market risk, such as the probable loss the Bank may incur as a result of adverse movements in interest rates or exchange rates and credit risk, or the probable loss the Bank may incur if the counterparties fail to meet their obligations, as well as liquidity, legal and operational risk. These risks are managed under the Bank's risk management policy. The Bank's policy on derivatives is approved by the Board and prescribes market risk parameters such as loss limit and open position limits as well as customer eligibility criteria, including credit ratings and lengths of relationship, among others, for entering into derivative transactions. Credit risk is managed by entering into derivative transactions only with counterparties satisfying the criteria prescribed in the policy. The Bank's policy provides guidance for the recording, amending and rollover of derivative deals as well as customer appropriateness forms.

The Value at Risk ("**VAR**") framework is applied on an asset class basis as well as on a diversified portfolio level. VAR is monitored daily and limits are revised on an annual basis or earlier if market conditions warrant. The model is validated daily by back testing. The VAR methodology used by the Bank is a historical simulation method using 250 days historical data which is updated every day. The Bank calculates one day and 10 day VAR at a 99.0% confidence level. Stress testing is conducted at quarterly intervals to evaluate the potential vulnerability of its portfolios to some unlikely but possible events or movements in financial variables such as interest rates, share prices, foreign exchange rates and equity prices.

Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes legal risk but excludes strategic and reputational risk and it seeks to identify the cause of a loss. Operational risk has four principal causes: People, Process, Systems and External factors. For a discussion on the Bank's vulnerability to operational risk, see "*Risk Factors — Risks Relating to the Bank's Business — Operational risks such as fraud and errors may have an adverse impact on the Bank's business.*"

The operational risk management policy of the Bank establishes a risk framework that guides the Bank in the management of operational risk and allocation of capital for potential losses. This policy requires that all functional areas, departments and business units of the Bank identify, assess, measure, mitigate, monitor, control and report on their significant operational risks in a manner that is consistent across the Bank. This policy applies to all business and functional areas within the Bank. The Bank's operational risk management policy is supplemented by operational systems, procedures and guidelines, which are periodically updated by the Bank.

The objective of the Bank's operational risk management policy is to improve controls and to mitigate risks, improve capital management, create awareness of operational risk throughout the Bank, assign risk ownership, comply with regulations, improve the quality of products and services, and mitigate the impact and probability of loss in the face of any disruption to business processes.

The following measures are being used by the Bank to control and mitigate operational risks:

- continuous improvement of internal controls and systems based on internal and external loss data and also the outcome of conduct of risk and control self-assessment exercises;
- analysis of loss data and near miss events ("**NMEs**") for better risk management;
- monitoring key risk indicators ("**KRIs**");
- scenario analysis workshops;
- training;
- reward systems;
- placement and rotation of staff;
- monitoring of frauds;
- disciplinary proceedings systems;
- insurance for transfer of risk; and
- business continuity planning.

Operational Controls and Procedures in the Bank

The Bank has issued detailed procedural guidelines for processing various banking transactions. Amendments and modifications to these guidelines are implemented through circulars sent to all offices. Guidelines and instructions are also disseminated through job cards, e-circulars, and training programs.

The Bank has also issued necessary instructions throughout the Bank regarding the delegation of financial powers, which detail sanctioning powers at various levels of officials for different types of financial transactions.

A business continuity policy and manual has also been drawn up to take proactive measures to respond to business disruption and system failures and to ensure uninterrupted availability of key business processes that support critical banking functions.

The Bank's inspection and management audit ("**I&MA**") department has zonal inspection offices located throughout the country. Inspection officials periodically monitor adherence to controls and procedures and report deviations to facilitate corrective action. Besides I&MA officials, each Circle is assigned an internal audit team and concurrent auditors are assigned to all large branches. A statutory audit is conducted by external auditors after the annual closing.

Operational Controls and Procedures in Centralized Processing Cells

In an effort to improve customer service at all centers, the Bank has introduced central transaction processing. The centralized transaction processing cells process clearing checks, make inter-city check collections and engage in back-office support for account opening, standing instructions, non-resident Indian services and automatic renewal of deposits.

Operational Systems and Controls in Treasury

Treasury's front office, back office and mid-office (market risk management department) are fully segregated. While the front office and the independent back offices report to the Head of Treasury, the Market Risk Management Department functions independently from Treasury and is under the control of the Chief Risk Officer. Mid-office prepares various reports to monitor the Bank's exposure against various limits such as stop-loss limits, counterparty limits and concentration risk limits.

The Bank's front office Treasury operations are integrated and comprise the Rupee desk, foreign exchange desk and the derivatives desk. The front office is supported by treasury marketing units located in seven centers across the country. While the Rupee desk operations consist of fixed income securities, equities and inter-bank money markets, the foreign exchange desk operations consist of inter-bank, merchant and proprietary transactions. The derivatives operations include swaps, options and structured products. Dealers enter into trades with counterparties after analyzing market conditions and taking views on price movements. After completion of a deal, the deal then flows to the back office for validation, settlement and accounting.

The front office regularly discusses strategies on the basis of market forecasts, liquidity conditions and publicly available information. Trading is conducted in strict accordance with trading policies, a dealing manual and regulatory guidelines.

The Treasury back office undertakes settlement of securities and funds based on guidelines stipulated by the manual of operations. Procedures followed by the back office to minimize operational risks in Treasury include: validation of deals entered into by the front office, deal confirmations with counterparties, the receipt and checking of broker contract notes, the monitoring of receipt and payments on due dates and monitoring of the transfer and receipt of securities into accounts where dematerialized securities are held, and the reconciliation of accounts.

The mid-office employs various tools for monitoring market risk. These tools include: exposure limits, counterparty limits, overnight open position limits, gap limits, broker transaction limits, modified duration limits, management action triggers, stop loss triggers, option limits and VAR limits. The Mid Office marks to market various positions, and breaches, if any, are promptly reported. The Market Risk Management Department formulates various policies, such as investment policy, trading policy for government securities, corporate bond and equity policy, and policy for foreign exchange and derivatives. In addition the Market Risk Management Department formulates the market risk management policy, VAR policy and stress test policy. VAR is monitored daily and compared against the limits. VAR is validated through back-testing on daily basis.

Operational Controls and Procedures in Retail Asset Operations

The Bank's retail asset operations are spread out geographically across India and the Bank has centralized processing cells for retail assets in most cities across India. These centers carry out disbursement of approved credit facilities, accounting, reconciliation and repayment management activities for retail assets. All operational and other risks are identified, mitigators designed and measures of performance specified to ensure adherence. Internal auditors monitor adherence to controls and procedures and report deviations to facilitate corrective action.

Operational Controls and Procedures for Corporate Banking

The Bank's Corporate Accounts group operates a central functioning office at Mumbai as well as branches at Chennai and New Delhi. These offices are jointly responsible for operations relating to trade finance, cash management and other general banking operations. In addition, the Bank's Commercial Clients Group caters to the credit requirements of medium-sized corporations through its nine regional offices and 45 branches across India.

Operational Controls and Procedures for Rural Banking

All rural branches are fully computerized. Operational risks pertaining to rural and agricultural branches are identified, assessed, monitored, controlled and mitigated by the respective controlling offices. Risk and control self-assessment exercises are conducted at branch level for the purpose of identifying and assessing operational risks. The Bank's rural asset operations are spread across India. In addition to the respective controllers, officials from the Bank's Inspection and Audit and Circle Audit departments also visit all rural branches periodically to conduct detailed audits for monitoring adherence to controls and procedures as well as to report irregularities within the branches. A statutory audit is also conducted at branch level after annual closing.

Anti-Money Laundering Measures adopted by the Bank

The Bank has established a policy implementing KYC standards and AML measures. Detailed procedural guidelines on KYC and AML measures have been issued to all branches and offices of the Bank, incorporating the following four key elements of the policy:

- the customer acceptance policy;
- customer identification procedures;
- the monitoring of transactions; and
- risk management.

The Bank has acquired and implemented an AML software solution, which is being used for transaction monitoring purposes. Cash transaction reports are generated through the software and suspicious transactions alerts are generated based on parameters and thresholds fixed by the Bank. Suspicious transactions alerts are then analyzed at KYC/AML cell for finalization and submission of suspicious transactions reports by the Principal Officer in appropriate cases. This solution enables automatic generation of alerts for the monitoring and reporting of suspicious transactions. KYC guidelines are covered as part of regular training programs for various staff categories by the Bank's training institutes. A list of terrorist organizations, periodically updated by the United Nations, is circulated to all branches of the Bank. The Bank is closely monitors the implementation of the KYC guidelines and AML procedures through a system of education and monitoring by utilizing various training forums as well as an inspection and audit process.

Country Risk and Bank Exposure

The Bank has a country risk management policy in accordance with RBI guidelines as well as a Board approved bank exposure model for foreign banks and non-banking financial intermediaries. These policies outline robust risk management models with prescriptions for country, bank, product and counterparty exposure limits. Considering the global economic turmoil, both country and bank exposure limits are monitored and reviewed on a regular basis. The exposure ceilings and classifications are moderated in line with the dynamics of their risk profiles. Corrective steps are periodically initiated to safeguard the Bank's interests.

Group Risk Management

The Group is recognized as a major financial conglomerate and as a systemically important financial intermediary with significant presence in various financial markets. Accordingly, it is imperative, both from a regulatory perspective as well as from the Group's own internal control and risk management perspective, to oversee the functioning of individual entities within the Group and periodically assess the Group's overall risk level. This oversight allows for optimal utilization of capital resources and the adoption of a uniform set of risk practices across the Group.

The Group's risk management policy was formed with a view to effectively monitor risk management practices amongst all of the Group's entities using a common brand name and logo where the Bank holds an equity share of 20.0% or more and exercises control over management. It aims to put in place standardized risk management processes across the Group, so as to provide an integrated view of the range of risks the Group faces and to use risk-taking as a strategic means to strengthen competitive position and create value.

The Group's risk management policy applies to all banking and non-banking subsidiaries and joint ventures of the Group under the jurisdiction of specified regulators but excludes regional rural banks, non-financial entities and special purpose vehicles. These entities must also comply with relevant accounting standards. Currently, the Group includes the Issuer, eight overseas banking entities and 13 domestic non-banking entities which are engaged in merchant banking, asset management, life insurance, general insurance, factoring, credit cards, pension funds, primary dealership, payment services and custodial services.

The Group's risk management policy focuses on (a) understanding the material risks faced by each Group entity and the potential impact thereof and (b) devising methods of mitigating those risks effectively. The policy recommends formulating a risk governance structure, fixing the risk appetite of the Group, employing international best practices and fixing internal exposure limits.

In order to allow entities within the Group to assess their material risks and the adequacy of their risk management processes and capital, all Group entities, including non-banking subsidiaries, are encouraged to align their policies and operations with the Bank and in accordance with Basel prescriptions and international best practices. Further, an Enterprise and Group Risk Management Committee has also been constituted to oversee matters relating to Group's risk, ensuring periodic reviews of risk policy and compliance.

A Group Risk Management Department supports the Enterprise & Group Risk Management Committee by periodically assessing and reporting the overall level of risk in the Group. The department also conducts workshops on specific risk related issues for risk managers across the Group and provides a forum for the sharing of risk-related practices information among within the Group.

As part of the supervisory review and evaluation process, an Internal Capital Adequacy Assessment Process ("**ICAAP**") report for the Group is prepared annually and approved by Bank's Board. The report includes identification, measurement and management of all risks faced by the Bank, including risk mitigation and control measures, evaluation of adequacy of risk management practices in all Group entities, stress-testing and identifying additional capital requirements for the identified risks. The document is prepared on the basis of the solo ICAAP documents of all Group entities. The document is part of the Bank's compliance with RBI's New Capital Adequacy Framework, based on the Basel III framework (the "**Framework**"). See "*Regulation and Supervision — The RBI and its Regulations — Capital adequacy requirements.*"

Enterprise Risk Management

An ICAAP report at a standalone level is prepared annually and approved by the Bank's Board. In addition to the three Pillar I Risks, the ICAAP covers the identification and assessment of Pillar 2 Risks, such as liquidity risk, interest rate risk in banking book, credit concentration risk, reputation risk and strategic risk.

In July 2010, the RBI granted permission to schedule commercial banks to operate well-protected vans as mobile branches or ATMs in Tier 3 to Tier 6 centers. In 2012, the RBI permitted banks to install offsite ATMs the without prior permission of the RBI and non-banks to set up ATMs in Tier 3 to Tier 6 centers known as "white label" ATMs.

In relation to the procedural aspects of opening new branches, the previous system of granting authorizations for opening individual branches from time to time has now been replaced by a system of giving aggregated approvals, on an annual basis, through a consultative and interactive process. The branch expansion strategies and plans over the medium term would be discussed by the RBI with individual banks. The term "branch" for this purpose would include a fully-fledged branch, an extension counter, off-site ATMs, an administrative office, and back offices. The medium term framework and the specific proposals would cover the opening, closing, shifting, merger and conversion of all categories of branches. Banks are free to submit their Annual Branch Expansion Plan ("**ABEP**") any time during the year. Notwithstanding the above, banks may approach the RBI for any urgent proposals regarding the opening of branches, especially in under-banked areas (districts) anytime during the year, in addition to the authorizations granted under the annual plan, which would be considered on merit. While processing authorization requests, the RBI gives importance to the nature and scope of banking services, particularly in under-banked sectors, credit flow to the priority sectors and efforts to promote financial inclusion, the need to induce enhanced competition in the banking sector, the bank's regulatory compliance, the quality of governance, risk management and relationships with subsidiaries and affiliates.

With effect from July 15, 2011, banks have been advised that while preparing their ABEP, they should allocate at least 25.0% of the total number of branches proposed to be opened during a year in unbanked rural Tier 5 and Tier 6 centers. An unbanked rural center is a rural Tier 5 and Tier 6 center that does not have a brick-and-mortar structure of any scheduled commercial bank for customer-based banking transactions. Banks are now permitted to take credit over a three year period aligned with their three year financial inclusion plans for branches opened in unbanked rural centers in a year in excess of the 25.0% minimum requirement.

Credit Management Policies and Procedures

Credit Policy and Procedures Committee

The Credit Policy and Procedures Committee ("**CPPC**") is headed by the Chairman of the Bank and tasked with handling issues relating to credit policies and procedures and to analyze, manage and control credit risk on a Bank-wide basis. The CPPC formulates clear policies on standards for the presentation of credit proposals, financial covenants, rating standards and benchmarks, delegations of credit approving powers, prudential limits on large credit exposures, asset concentrations, standards for loan collateral, portfolio management, loan review mechanisms, risk concentrations, risk monitoring and evaluation, pricing of loans, provisioning and regulatory and legal compliance.

The Bank's credit risk management process is articulated in its credit policy, which is approved by the Board. The credit policy recognizes the need for measures aimed at better risk management and avoidance of a concentration of credit risks. With this objective, limits have been prescribed for the Bank's exposure to any single borrower, group of borrowers or specific industries or sectors.

The credit policy embodies the Bank's approach to sanctioning, managing and monitoring credit risk and aims at making the systems and controls effective. It is guided by the best practices of commercial prudence, high standards of ethical norms and the requirement for national priorities. It also aims at striking a measured balance between underwriting assets of high quality and customer oriented selling.

Accordingly, the credit policy sets out guidelines on the following aspects, in accordance with RBI and Government directives:

- exposure levels for industries, sectors and credit facilities;
- credit appraisal standards;
- documentation standards;
- pricing policy;
- review, renewal and takeover of advances;
- credit monitoring and supervision;
- credit risk assessment;
- NPA management;
- export credit; and
- the approach to lending to priority sectors and the services sector.

All revisions in policies and procedures are carried out with the approval of the CPPC and the Board.

Credit Approval and Monitoring

The Bank's credit approval process involves multiple levels of loan approval authority, depending on the loan amount and other factors such as the nature of the credit, risk associated and mitigating factors, the conditions of the transaction and whether or not the loan is secured.

At each level of authority, loan applications are reviewed on the basis of the feasibility of the project from a technical, financial and economic point of view, and to ensure that the loan application falls within the realm of fair banking risk. In conducting such a review, the following factors are considered: the borrower's profile, management structure, past financial performance and credit ratings, the Bank's exposure to the company, industrial group and/or industry in light of prudential exposure norms, industry outlook and financial projections for the borrower company and/or project. In the case of overseas financing, appraisals also include an assessment of the overseas venture in terms of commercial risk, political risk, country risk, and currency risk, an assessment of the relevant international market, an analysis of the benefits from the overseas venture likely to accrue to the Indian promoter, and compliance with regulatory guidelines. The Bank may also conduct a sensitivity analysis which includes variables such as debt servicing ratios and internal rates of return, and study the likely impact of changes in, among other things, price/unit costs.

The Bank has internal guidelines that limit the number of loans that can be authorized by various functionaries or credit committees. Loan amounts differ depending on certain factors, such as the type of borrower, the credit rating of borrower and the types of facilities.

The Bank disburses funds to a borrower in strict compliance with the terms of the sanction, after all necessary documentation has been executed. Specific approval is sought from the original sanctioning authority, or as delegated in accordance with the policy approved by the Executive Committee of the Central Board ("**ECCB**") or the CPPC in the case of any deviation from the terms of the sanction.

Examples of the types of procedures in place for various finance divisions include:

Corporate Finance Procedures

As part of its corporate loan approval procedures, the Bank carries out a detailed analysis of an applicant's funding requirements including normal capital expenditure, working capital requirements and liquidity. The Bank's corporate term loans are generally available for periods of three to ten years. The Bank's corporate term loans may carry fixed or floating rates, befitting the requirements of the client and the risk profile. The repayment plan is generally linked to the cash flow of the company. The Bank's credit analysts gauge the applicant's particular funding requirements and evaluate the company's creditworthiness, factoring in the cash flows generated by it. Approved facilities will lapse within six months of the date of approval, unless they are used within that time.

Retail Loan Procedures

The Bank's retail loan customers are typically middle- or high-income, salaried or self-employed individuals. The Bank's retail credit product operations are sub-divided into various product lines. Each product line is further sub-divided into separate sales, marketing and credit groups. The Bank has an established process for giving and collecting retail credits. In most cases, the Bank requires a contribution from the borrower and the loans are secured by the asset financed.

Working Capital Finance Procedures

The Bank carries out a detailed analysis of its borrowers' working capital requirements. The Bank's dedicated credit team has a deep understanding of the intricacies of various industries and is experienced in evaluating the business potential of companies. The credit team assesses the customer's specific credit requirements and customizes financial solutions to suit the business requirements of the customer and its risk profile. Working capital finance limits are normally valid for one year and repayable on demand. Approved facilities will lapse within three months of the date of approval unless they are used within that time.

Project Finance and Leasing Procedures

The Bank believes it has a strong framework for the appraisal and execution of project finance proposals and that this framework allows for risk identification, allocation and mitigation, and helps minimize residual risk. The Bank has formed a dedicated Project Finance unit to assess credit proposals and extend term loans for large industrial and infrastructure projects. Apart from this, project term loans for medium sized projects and smaller clients are delivered through the Corporate Accounts Group, the Commercial Clients Group and the National Banking Group. The loans are approved on the basis of in-house appraisal of the cost and viability of the venture as well as the credit standing of promoters. Project finance is typically structured as long-term loans. Maturity periods and repayment modes are structured and in line with the specific aspects of each project and industry, factoring in a time frame for the venture to generate a stable revenue stream.

Internal Audit

The Bank has internal control systems with well-defined responsibilities at each level. It conducts internal audits through its Internal Audit Department ("**IAD**"). The Audit Committee of the Board ("**ACB**") exercises supervision and control over the functioning of the IAD. The internal audit system plays an important and critical role in the identification, control and management of risks through the internal audit function, which is regarded as one of the most important components of the risk management process. The Bank mainly carries out two streams of audits — risk focused internal audits ("**RFIA**") and management audits, covering different facets of the internal audit requirement. The Bank's accounting units are subject to RFIA. The Bank's management audit covers administrative offices and examines policies and procedures, in addition to quality of execution, management performance and efficiency of operations. In addition, the department conducts credit audits, information systems audits (centralized IT establishments and branches), Foreign Exchange Management Act ("**FEMA**") audits, compliance audits, home office audits (audits of foreign offices) and expenditure audits (at its administrative offices) and oversees the policy and implementation of concurrent audits (domestic and foreign offices). To verify the level of rectification of irregularities by branches, audits of compliance at select branches are also undertaken. During the period between April 1, 2018 and September 30, 2018, 3,020 domestic branches and business process reengineering entities were audited under the RFIA.

Risk Focused Internal Audits

The Internal Audit Department critically reviews of the work of the units under audit through a RFIA in accordance with RBI directives on risk-based supervision.

The IAD undertakes a critical review of the entire operations of audited units through RFIA, which is an adjunct to risk-based supervision according to the RBI directives. The domestic branches have been broadly segregated into three groups (Group I, II & III) on the basis of business profile and risk exposures. While the audits of Group I branches are administrated by the Central Audit Unit ("**CAU**") headed by a General Manager, audits of branches in the Group II and III categories and the Business Process Re-engineering ("**BPR**") entities are conducted by 16 Circle Audit offices, each of which is headed by a general manager. The audits of branches and BPR entities are conducted at intervals approved by ACB in conformity with the standards of RBI. During fiscal year 2018, 14,280 domestic branches and 358 BPR entities were audited, representing over 100% of branches due for audit under the Bank's policies. Of the audited branches, 14,280 were audited branches and 459 were audited by the CAU. No branch remained due for audit beyond the period prescribed by the RBI.

Off-Site Audits

Remote Application for Dynamic Assessment of Risk is a system-driven, continuous and centralized monitoring system of auditee units based on remote evaluation of data points available in the source systems. Under the offsite auditing process, it identifies exceptions based on missing data, outliers, and inconsistent data, and flags these exceptions as process control/compliance gaps to the auditee unit. A score is awarded based on the percentage of deviations from each value statement under CRM and ORM and the same is integrated in to onsite audit scores.

An outlier model is developed to improve on the current process for identifying branches for audit, which is based on static point in time parameters. The revised process for identification envisions continuous monitoring of controls at a branch based on data obtained from the source systems, system driven analysis of the meta data, assignment of outlier audit scores to each branch based on a defined scoring logic, and the prioritization of branches for audit which exhibit a lesser degree of control (indicated by a higher outlier audit score) relative to a set of homogenous branches or other branches in the audit set.

Management Audits

Management audits encompass Corporate Center establishments: local head offices/apex training institutions, associate banks and regional rural banks ("**RRBs**") sponsored by the Bank. To enhance the effectiveness of management audits, frequency of the audit has been reduced from the existing once every three years to once every two years. No establishment and administrative office was scheduled for an audit under the management audits between April 1, 2018 and September 30, 2018.

Credit Audits

The credit auditing system aims at achieving continuous improvement in the quality of the commercial credit portfolio of the Bank through critically examining individual large commercial loans with annual exposures of Rs. 200 million and above. The credit auditing system also provides feedback to the business unit by way of warning signals about the quality of advance portfolios in the unit and suggests remedial measures. The credit audit system also carries out off-site reviews (Early Review of Sanction) of all the pre-sanction and sanction processes for all individual advances above Rs. 50.0 million within six months of sanction, enhancement or renewal, as the case may be.

Information System Audits

All branches are being subjected to information system audits ("**IS audits**") to assess the IT-related risks as part of RFIA of the branch. An IS audit of centralized IT establishments is carried out by a team of qualified officials and outside experts. During the period from April 1, 2018 to September 30, 2018, IS audits of 24 centralized IT establishments were completed. In addition, a cyber-security audit of the Bank is also done annually as per the cyber security policy of the Bank.

Foreign Offices Audits

A home office audit in fiscal year 2018 was carried out at 21 branches and a management audit was conducted at one subsidiary and one representative office. Out of the 21 branches which were audited during fiscal year 2018, 15 branches were rated as "well controlled", and six branches were rated as "adequately controlled" based upon the risk perception. Out of the two management audits conducted during the fiscal year, the subsidiary was rated as "A", the representative office is not subject to rating.

Concurrent Auditing System

The concurrent auditing system is essentially a control process which is integral to the establishment of sound internal accounting functions, effective controls and oversight of operations on a continuous basis. A concurrent audit system is reviewed on an on-going basis in accordance with RBI directives, so as to cover the Bank's advances and other risk exposures as prescribed by the regulatory authority. IAD prescribes the processes, guidelines and formats for the conduct of concurrent auditing at branches and BPR entities. Concurrent auditing is carried out based on system driven solution, with external auditors (chartered accountant firms/and the Bank's retired officers) appointed as concurrent auditors at certain centers.

*Early Sanction Review ("**ESR**")*

ESR covers pre-sanction and sanction processes for all fresh loans sanctioned and renewals of loan accounts with an exposure of Rs. 50.0 million and above. They are carried out within a period of three to six months as per the loan review mechanism of the RBI. ESR for accounts with foreign offices is conducted off-site for accounts with exposure of U.S.$1.0 million and above. During the six months ended September 30, 2018, ESR of 133 loans sanctioned at foreign offices have been conducted.

*Offsite Transaction Monitoring System ("**OTMS**")*

OTMS is a web-based solution to capture deviations and to take corrective actions. The system was introduced in June 2013 for strengthening transaction auditing in the Bank and also to meet the regulatory requirements for off-site surveillance of transactions passing through the Bank's core banking solution ("**CBS**") system. Alerts are generated from the data received from the Bank's business intelligence department, through an SBIeTHIC application based on the exception data of identified types of transactions at IAD Hyderabad. Presently, 56 types of deviations are being monitored and the Bank is in the process of adding 10 more deviations.

Legal Audits

Legal audits were rolled out in all of the Bank's business verticals in June 2014 to cover all loan and mortgage-related documents pertaining to accounts with an aggregate exposure of Rs. 50.0 million and above. As of September 30, 2018, legal audits were commenced in 11,673 eligible accounts and were completed in 11,522 cases.

Outsourced Activities Audits

Outsourced activities audits aim to provide reasonable assurance to the senior management and the Board of the Bank that only the activities permitted by the Bank's outsourcing policy are being utilized by the business units, administrative offices and other departments of the Bank, and adequate systems and procedures are in place to mitigate legal, financial and reputational risks that may arise on account of the outsourcing of certain activities. During the financial year 2018, 657 audits were conducted as per the annual audit plan.

Enforcement of Security Interests

The SARFAESI Act

To assist banks and financial institutions in recovering their unpaid advances and to ensure financial discipline among borrowers, the Government enacted the SARFAESI Act in December 2002. The SARFAESI Act provides the legal framework for (i) the securitization of financial assets by setting up a securitization company or a reconstruction company; (ii) the foreclosure of assets through a securitization company or a reconstruction company; and (iii) the foreclosure of NPA accounts.

The Bank has been applying all available methods for the recovery of unpaid advances, including reporting the name of willful defaulters to the RBI together with commencing the necessary steps for recovery. The Bank has also initiated aggressive one-time settlement measures to recover unpaid loans.

Establishment of Asset Reconstruction Company

The SARFAESI Act provides the framework for setting up asset reconstruction companies in India. Accordingly, the Bank, together with other major Indian banks, has jointly promoted the Asset Reconstruction Company (India) Limited. ("**ARCIL**"). ARCIL serves as the entity that acquires the NPAs of its parent banks at a mutually acceptable price against the issue of security receipts. ARCIL seeks to recover outstanding debts through restructuring, settlement or enforcement of security interests. ARCIL then uses amounts recovered to redeem the security receipts issued to certain qualified institutional investors.

In July 2005, the RBI issued guidelines on the sale and purchase of NPAs amongst banks, financial institutions and non-banking financial companies. See "*Regulation and Supervision — The RBI and its Regulations*." Pursuant to an amendment of these guidelines on October 4, 2007, the RBI has stipulated that banks should calculate the net present value of the estimated cash flows associated with the realizable value of the available securities net of the cost of realization. As a result, the sale price of an NPA should generally not be lower than the net present value arrived at in the manner described above.

The Bank also periodically engages in sales of NPAs to reconstruction companies, banks, financial institutions and non-banking financial companies.

SELECTED STATISTICAL INFORMATION

The following unaudited information should be read together with the Bank's standalone and the Group's consolidated financial statements included in this Offering Memorandum as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Certain non-GAAP financial measures are included in this section. The Bank discloses these measures because it uses them to assess its performance and because it considers them useful measures that are frequently used by securities analysts, investors and others to evaluate banks, many of which present such non-GAAP financial measures when reporting their results. However, these measures are not calculated using a standard methodology and may not be comparable to the definition of similarly titled measures used by other banks.

Assets and Liabilities

Average Balance Sheet of the Bank

The tables below present the average balances for interest-earning assets and interest-bearing liabilities together with the related interest revenue and expense amounts, resulting in the presentation of the average yields and cost for each period. The average balance is the average of quarterly balances outstanding. The average yield on average assets is the ratio of interest revenue to average interest-earning assets (except that investments include equity investments and interest revenue with respect to investments includes dividends on such equity investments). The average cost on average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities.

	Year ended March 31,								
	2016			2017			2018		
	Average Balance	Interest Income/ Expense	Avg. Yield/ Cost (%)	Average Balance	Interest Income/ Expense	Avg. Yield/ Cost (%)	Average Balance	Interest Income/ Expense	Avg. Yield/ Cost (%)
	(Rs. in millions, except percentages)								
Interest-earning assets:									
Advances	13,680,596.32	1,156,660.12	8.45%	14,672,354.77	1,195,100.03	8.15%	18,419,799.80	1,413,631.68	7.67%
Investments	5,764,822.08	423,039.79	7.34%	7,096,003.09	482,053.05	6.79%	10,191,185.94	703,376.17	6.90%
Others	783,076.91	60,283.06	7.70%	1,026,064.40	78,029.32	7.60%	1,370,126.11	87,985.31	6.42%
Total interest-earning assets	20,228,495.31	1,639,982.98	8.11%	22,794,422.26	1,755,182.40	7.70%	29,981,111.85	2,204,993.16	7.35%
Non-interest earning assets:									
Fixed assets	97,584.38	0	0	427,246.33	0	0	450,951.17	0	0
Other assets	1,482,870.41	0	0	1,657,285.98	0	0	2,415,473.42	0	0
Total non-interest earning assets	1,580,454.79	0	0	2,084,532.31	0	0	2,866,424.59	0	0
Total assets	21,808,950.11	1,639,982.98	7.52%	24,878,954.57	1,755,182.40	7.05%	32,847,536.44	2,204,993.16	6.71%
Interest-bearing liabilities:									
Total deposits	16,624,494.75	988,649.88	5.95%	19,317,248.35	1,055,987.52	5.47%	26,458,242.23	1,357,257.04	5.13%
Subordinated loan	424,847.51	37,228.04	8.76%	417,250.88	41,952.36	10.05%	486,726.51	44,720.43	9.19%
Borrowings	2,153,401.17	41,542.96	1.93%	2,166,109.37	38,374.70	1.77%	2,279,383.14	53,124.28	2.33%
Total interest-bearing liabilities	19,202,743.42	1,067,420.88	5.56%	21,900,608.61	1,136,314.58	5.19%	29,224,351.87	1,455,101.75	4.98%
Non-interest bearing liabilities:									
Capital and reserves	1,430,883.97	0	0	1,828,490.80	0	0	2,240,958.80	0	0
Bills payable	156,974.39	0	0	190,030.89	0	0	209,122.07	0	0
Other liabilities	1,018,348.33	614.04	0.06%	959,824.27	270.46	0.03%	1,173,103.70	1,354.25	0.12%
Total non-interest bearing liabilities	2,606,206.69	614.04	0.02%	2,978,345.96	270.46	0.01%	3,623,184.57	1,354.25	0.04%
Total liabilities	21,808,950.11	1,068,034.92	4.90%	24,878,954.57	1,136,585.03	4.57%	32,847,536.44	1,456,456.00	4.43%

	Six months ended September 30,					
	2017			2018		
	Average Balance	Interest Income/ Expense	Avg. Yield/ Cost (%)	Average Balance	Interest Income/ Expense	Avg. Yield/ Cost (%)
	(Rs. in millions, except percentages)					
Interest-earning assets:						
Advances	18,034,139.34	719,429.20	7.98%	19,165,565.32	771,919.80	8.06%
Investments	9,875,187.53	339,124.20	6.87%	10,730,430.61	376,679.70	7.02%
Others	1,403,613.09	38,998.00	5.56%	1,467,733.66	27,467.10	3.74%
Total interest-earning assets	29,312,939.96	1,097,551.40	7.49%	31,363,729.59	1,176,066.60	7.50%
Non-interest earning assets:						
Fixed assets	502,697.11	0	0	397,979.92	0	0
Other assets	2,329,706.66	0	0	2,390,644.31	0	0
Total non-interest earning assets	2,832,403.76	0	0	2,788,624.23	0	0
Total assets	32,145,343.72	1,097,551.40	6.83%	34,152,353.82	1,176,066.60	6.89%
Interest-bearing liabilities:						
Total deposits	26,128,568.55	689,700.23	5.28%	27,776,166.63	691,921.12	4.98%
Subordinated loan	501,254.13	24,156.91	9.64%	418,758.38	19,599.79	9.36%
Borrowings	1,918,079.89	20,656.49	2.15%	2,567,181.29	36,347.59	2.83%
Total interest-bearing liabilities	28,547,902.57	734,513.63	5.15%	30,762,106.29	747,868.50	4.86%
Non-interest bearing liabilities:						
Capital and reserves	2,301,581.16	0	0	2,165,453.54	0	0
Bills payable.	192,964.14	0	0	193,674.28	0	0
Other liabilities	1,102,895.85	1,118.67	0.20%	1,031,119.72	1,157.64	0.22%
Total non-interest bearing liabilities	3,597,441.15	1,118.67	0.06%	3,390,247.53	1,157.64	0.07%
Total liabilities	32,145,343.72	735,632.30	4.58%	34,152,353.82	749,026.14	4.39%

Yields, Spreads and Margins

The following table sets forth, for the periods indicated, the yields, spreads and interest margins on the Bank's interest-earning assets.

	Year ended March 31,			Six months ended September 30,		
	2016	2017	2018	2017	2018	2018
	(Rs. in millions, except percentages)			(Rs. in millions, except percentages)		(US$ in millions)[1]
Interest income on interest-earning assets	1,639,982.98	1,755,182.40	2,204,993.16	1,097,551.40	1,176,066.60	16,210.43
Interest expense on interest-bearing liabilities	1,068,034.92	1,136,585.03	1,456,456.00	735,632.30	749,026.14	10,324.27
Average interest-earning assets	20,228,495.31	22,794,422.26	29,981,111.85	29,312,939.96	31,363,729.59	432,305.03
Average interest-bearing liabilities	19,202,743.42	21,900,608.61	29,224,351.87	28,547,902.57	30,762,106.29	424,012.49
Average total assets	21,808,950.11	24,878,954.57	32,847,536.44	32,145,343.72	34,152,353.82	470,742.30
Average interest-earning assets as a percentage of average total assets	92.75%	91.62%	91.27%	91.19%	91.83%	91.83%
Average interest-bearing liabilities as a percentage of average total assets	88.05%	88.03%	88.97%	88.81%	90.07%	90.07%
Average interest-earning assets as a percentage of average interest-bearing liabilities	105.34%	104.08%	102.59%	102.68%	101.96%	101.96%
Yield[2]	8.11%	7.70%	7.35%	7.49%	7.50%	7.50%
Cost of funds[3]	5.56%	5.19%	4.98%	5.15%	4.87%	4.87%
Spread	2.55%	2.51%	2.37%	2.33%	2.63%	2.63%
Net interest margin[4]	2.96	2.84	2.50	2.43	2.73	2.73

Notes:

(1) For the reader's convenience, U.S. dollar translations of Indian Rupee amounts have been provided based on the FBIL reference exchange rate of U.S.$1 = Rs. 72.55 as of September 28, 2018.

(2) Yield is interest income divided by total quarterly average interest-earning assets.

(3) Cost of funds is interest expense divided by total quarterly interest-bearing liabilities.

(4) Net interest margin is the difference between interest earned and interest expended divided by the total quarterly average interest-earning assets. Net interest margin calculated as the difference between interest earned and interest expended divided by the total quarterly average interest-earning assets was 2.96%, 2.84% and 2.50% for fiscal years 2016, 2017 and 2018, respectively.

Financial Ratios

The following table sets forth certain key financial indicators of the Bank, as of and for the periods indicated.

	As of and for the year ended March 31,			As of and for the six months ended September 30,	
	2016	2017	2018	2017	2018
			(in percentages)		
Return on average equity[1]	7.31%	7.20%	(3.57)%	3.82%	(4.61)%
Return on average assets[2]	0.46%	0.42%	(0.20)%	0.22%	(0.23)%
Dividend payout ratio[3]	20.28%	20.11%	—	—	—
Cost to average assets[4]	1.92%	1.87%	1.82%	1.76%	1.93%
Tier I capital adequacy ratio	9.92%	10.35%	10.36%	10.96%	10.36%
Tier II capital adequacy ratio	3.20%	2.76%	2.24%	2.60%	2.25%
Total capital adequacy ratio	13.12%	13.11%	12.60%	13.56%	12.61%
Net non-performing assets ratio[5]	3.81%	3.71%	5.73%	5.43%	4.84%
Allowance as percentage of gross non-performing assets[6]	43.15%	48.13%	50.38%	47.40%	53.95%
Average net worth to total average assets[7]	6.24%	5.85%	5.58%	5.84%	5.00%
Credit to deposit ratio[8]	77.11%	69.32%	67.53%	63.88%	65.64%
Cost to income ratio[9]	49.13%	47.75%	50.18%	47.07%	55.96%
Other income to operating income ratio[10]	32.74%	36.44%	37.34%	39.89%	27.32%

Notes:

(1) Return on average equity is the ratio of the net profit after tax to the quarterly average net worth (capital plus reserves).

(2) Return on average assets is the ratio of the net profit after tax to the quarterly average assets.

(3) Dividend payout ratio is the ratio of dividend to adjusted net profit (after exclusion of a one-off income item from net profit).

(4) Cost to average assets is the ratio of the operating expenses, excluding lease depreciation, to the quarterly average assets.

(5) Net non-performing assets ratio is the ratio of net non-performing assets divided by net advances.

(6) Allowance as a percentage of gross non-performing assets is the ratio of NPA provisions made to the gross NPAs.

(7) Average net worth to total average assets is the ratio of quarterly average capital and reserves divided by total quarterly average assets.

(8) Credit to deposit ratio is calculated as a ratio of total domestic advances excluding interbank advances to total domestic deposits excluding interbank deposits.

(9) Cost to income ratio is calculated as a ratio of operating expenses divided by total operating income (total of net interest income and non-interest income).

(10) Other income to operating income ratio is calculated as a ratio of other income divided by total operating income (total of net interest income and non-interest income).

Analysis of Changes in Interest Revenue and Interest Expense by Volume and Rate

The following table sets forth the allocation of the changes in the Bank's interest revenue (including, with respect to equity investments, dividend income) and interest expense between average volume and changes in average rates.

	Year ended March 31, 2016 vs. Year ended March 31, 2015			Year ended March 31, 2017 vs. Year ended March 31, 2016			Year ended March 31, 2018 vs. Year ended March 31, 2017			Six months ended September 30, 2018 vs. six months ended September 30, 2017		
	Increase (Decrease)[1] Due to			Increase (Decrease)[1] Due to			Increase (Decrease)[1] Due to			Increase (Decrease)[1] Due to		
	Net Change	Change in Average Volume	Change in Average Rate	Net Change	Change in Average Volume	Change in Average Rate	Net Change	Change in Average Volume	Change in Average Rate	Net Change	Change in Average Volume	Change in Average Rate
	(Rs. in millions)											
Interest revenue												
Advances	33,221.00	120,757.46	(87,536.46)	38,439.91	83,850.69	(45,410.78)	218,531.65	305,238.78	(86,707.13)	52,490.60	90,271.11	(37,780.51)
Investments	69,503.37	82,718.98	(13,215.61)	59,013.26	97,686.02	(38,672.76)	221,323.11	210,265.18	11,057.94	37,555.50	58,739.87	(21,184.37)
Others	13,287.86	9,559.04	3,728.82	17,746.26	18,705.74	(959.48)	9,955.99	26,164.93	(16,208.94)	(11,530.90)	3,563.05	(15,093.95)
Total interest-earning assets	116,012.23	213,035.48	(97,023.24)	115,199.43	200,242.45	(85,043.02)	449,810.75	541,668.88	(91,858.13)	78,515.20	152,574.04	(74,058.84)
Interest expenses												
Total interest on deposits[1]	97,165.38	99,923.20	(2,757.81)	67,337.64	160,136.63	(92,798.99)	301,269.52	390,366.18	(89,096.66)	2,220.89	86,981.33	(84,760.44)
Subordinated loan	(999.79)	(16.38)	(983.42)	4,724.32	(665.67)	5,389.99	2,768.07	6,985.40	(4,217.34)	(4,557.12)	(7,951.43)	3,394.31
Borrowings	1,822.53	18,178.21	(16,355.68)	(3,168.26)	245.16	(3,413.43)	14,749.58	2,006.75	12,742.83	15,691.10	13,980.81	1,710.30
Other liabilities	(3,771.43)	978.43	(4,749.86)	(343.58)	(35.29)	(308.30)	1,083.80	60.10	1,023.70	38.97	(145.61)	184.57
Total interest-bearing liabilities	94,216.69	119,063.45	(24,846.76)	68,550.11	159,680.84	(91,130.72)	319,870.97	399,418.43	(79,547.47)	13,393.84	92,865.10	(79,471.26)
Net interest revenue	21,795.54	93,972.02	(72,176.48)	46,649.32	40,561.61	6,087.70	129,939.79	142,250.45	(12,310.67)	65,121.36	59,708.93	5,412.43

Note:

(1) Includes saving deposits, current deposits and term deposits.

Return on Equity and Assets

The following table presents selected financial ratios for the Bank for the periods indicated.

	Year ended March 31,			Six months ended September 30,	
	2016	2017	2018	2017	2018
	(Rs. in millions, except percentages)				
Net profit/(Loss)	99,506.53	10,484.10	(65,474.54)	(35,870.84)	(39,309.81)
Average total assets[1]	22,028,486.65	25,317,919.22	33,798,068.73	32,701,871.21	34,701,621.42
Average shareholders' equity	1,285,845.89	1,446,794.76	1,734,016.95	1,696,121.95	1,771,911.95
Net profit as a percentage of average total assets	0.45	0.41	(0.19)	0.22	(0.23)
Net profit as a percentage of average shareholders' equity	7.74	7.25	(3.78)	4.23	(4.44)
Average shareholders' equity as a percentage of average total assets	5.83	5.71	5.13	5.19	5.11

Note:

(1) Quarterly average

Investment Portfolio

As of March 31, 2018 and September 30, 2018, the Group's investments comprised 32.7% and 33.2% of its total assets, respectively, while total advances were 54.2% and 54.3% of the Group's total assets, respectively. The Group carries out its investment activities according to various investment and trading policies. These policies set forth delegation of powers, types of instruments, maximum limits on investments in different types of securities, position limits, stop loss limits, duration limits, and minimum acceptable credit spreads.

The Group attempts to achieve the highest risk-adjusted returns on its funds. With the progressive increase in credit off-take, the Group has reduced its securities holdings proportionately. The Bank is required to maintain a minimum holding of 19.50% of its demand and time liabilities in SLR securities. In addition, the surplus funds of the Bank's deposits and advances are invested by the domestic Treasury. These investments are in conformity with the Bank's policy on investments and the risk limits set by the Bank's Board.

Total Domestic Investment Portfolio

The following tables set forth, as of the dates indicated, information relating to the Bank's total domestic investment portfolio. Domestic investments constituted 93.2%, 94.6%, 95.7% and 95.2% of the Bank's investment portfolio as of March 31, 2016, 2017, 2018 and September 30, 2018, respectively.

	As of March 31, 2016				As of March 31, 2017				As of March 31, 2018			
Investments	Book Value	Market Value	Unrealized Gain	Unrealized Loss	Book Value	Market Value	Unrealized Gain	Unrealized Loss	Book Value	Market Value	Unrealized Gain	Unrealized Loss
						(Rs. in ten millions)						
Government securities	360,398.88	360,512.16	773.28	14.10	575,238.71	575,907.71	1,186.56	517.56	854,475.82	848,395.84	894.56	6,974.53
Other debt securities	55,371.80	56,932.58	1,676.33	115.55	124,841.62	126,291.31	1,969.06	519.36	140,081.27	139,803.63	1,114.72	1,392.35
Total debt securities	415,770.68	417,444.74	2,449.61	129.65	700,080.33	702,199.02	3,155.62	1,036.93	994,557.09	988,199.48	2,009.28	8,366.89
Non-debt securities	13,397.28	16,974.25	5,341.83	1,764.86	14,014.37	16,804.70	4,860.85	2,070.52	26,800.44	26,760.32	6,727.82	6,767.94
Subsidiaries and associates — at cost	8,787.10	8,784.23	—	2.87	11,326.72	11,323.85	—	2.87	5,080.84	5,077.97	—	2.87
Total	437,955.06	443,203.21	7,791.43	1,897.38	725,421.42	730,327.58	8,016.47	3,110.31	1,026,438.37	1,020,037.77	8,737.09	15,137.69

	As of September 30, 2018			
Investments	Book Value	Market Value	Unrealized Gain	Unrealized Loss
	(Rs. in ten millions)			
Government securities	879,997.19	867,986.22	30.96	12,041.93
Other debt securities	137,666.53	135,530.24	607.67	2,743.96
Total debt securities	1,017,663.71	1,003,516.45	638.63	14,785.89
Non-debt securities	27,578.01	25,559.76	6,951.06	8,969.30
Subsidiaries and associates — at cost	5,459.80	5,456.93	—	2.87
Total	1,050,701.53	1,034,533.15	7,589.68	23,758.06

Available for Sale Investments

The following table sets forth, as of the dates indicated, information related to the Bank's domestic investments available for sale.

Investments	As of March 31, 2016 Book Value	Market Value	Unrealized Gain	Unrealized Loss	As of March 31, 2017 Book Value	Market Value	Unrealized Gain	Unrealized Loss	As of March 31, 2018 Book Value	Market Value	Unrealized Gain	Unrealized Loss
	(Rs. in ten millions)											
Government securities. .	27,938.32	28,049.43	771.11	14.10	172,493.63	173,162.63	1,186.56	517.56	405,230.92	399,151.40	894.49	6,974.02
Other debt securities . .	54,702.80	56,268.97	1,676.33	110.16	124,291.39	125,742.92	1,969.06	517.52	130,348.50	130,070.86	1,114.72	1,392.35
Total debt securities . .	82,641.12	84,318.40	2,447.44	124.26	296,785.02	298,905.55	3,155.62	1,035.09	535,579.42	529,222.26	2,009.21	8,366.37
Non-debt securities. . .	12,442.48	16,020.24	5,341.83	1,764.06	13,147.50	15,938.14	4,860.50	2,069.87	26,218.38	26,178.78	6,727.74	6,767.33
Associates	0	0	0	0	0	0	0	0	0	0	0	0
Total	95,083.60	100,338.64	7,789.27	1,888.32	309,932.52	314,843.69	8,016.12	3,104.95	561,797.80	555,401.05	8,736.95	15,133.70

Investments	As of September 30, 2018 Book Value	Market Value	Unrealized Gain	Unrealized Loss
	(Rs. in ten millions)			
Government securities	358,557.99	346,547.17	30.96	12,041.78
Other debt securities.	127,933.76	125,797.47	607.67	2,743.96
Total debt securities.	486,491.75	472,344.63	638.63	14,785.74
Non-debt securities	27,090.12	25,074.07	6,951.01	8,967.06
Associates.	—	—	—	—
Total	513,581.87	497,418.71	7,589.64	23,752.80

Held to Maturity Investments

The following tables set forth, as of the dates indicated, information related to the Bank's domestic investments held to maturity.

Investments	As of March 31, 2016 Book Value	Market Value	Unrealized Gain	Unrealized Loss	As of March 31, 2017 Book Value	Market Value	Unrealized Gain	Unrealized Loss	As of March 31, 2018 Book Value	Market Value	Unrealized Gain	Unrealized Loss
	(Rs. in ten millions)											
Government securities. .	331,187.65	331,187.65	—	—	402,745.08	402,745.08	—	—	449,350.34	449,350.34	—	—
Other debt securities . .	669.00	663.61	—	5.39	550.23	548.39	—	1.84	9,732.77	9,732.77	—	—
Total debt securities . .	331,856.64	331,851.26	—	5.39	403,295.31	403,293.47	—	1.84	459,083.11	459,083.11	—	—
Non-debt securities . .	941.55	940.96	—	0.59	787.46	787.46	—	—	562.72	562.72	—	—
Associates	8,787.10	8,784.23	—	2.87	11,366.32	11,363.45	—	2.87	5,080.84	5,077.97	—	2.87
Total	341,585.30	341,576.45	—	8.85	415,449.09	415,444.38	—	4.71	464,726.67	464,723.80	—	2.87

Investments	As of September 30, 2018 Book Value	Market Value	Unrealized Gain	Unrealized Loss
	(Rs. in ten millions)			
Government securities	520,610.28	520,610.28	—	—
Other debt securities..	9,732.77	9,732.77	—	—
Total debt securities	530,343.05	530,343.05	—	—
Non-debt securities	447.34	447.34	—	—
Subsidiaries and associates — at cost	5,459.80	5,456.93	—	2.87
Total	536,250.19	536,247.32	—	2.87

Held for Trading Investments

As of March 31, 2016, the Bank held for trading non-debt securities which had a book value of Rs. 13.24 million, a market value of Rs. 13.04 million and an unrealized loss of Rs. 0.20 million. As of March 31, 2017, the Bank held for trading non-debt securities which had a book value of Rs. 39.81 million, a market value of Rs. 39.51 million and an unrealized loss of Rs. 0.30 million. As of March 31, 2018, the Bank held for trading other debt securities which had a book value of a nil amount, a market value of a nil amount and an unrealized loss of a nil amount. As of September 30, 2018, the Bank held for trading other debt securities which had a book value of a nil amount, a market value of a nil amount and an unrealized loss of a nil amount.

Residual Maturity Profile

— Available for sale

The following tables set forth, as of the date indicated, an analysis of the residual maturity profile of the Bank's domestic investments in government and corporate debt securities classified as available for sale securities and their weighted average market yields.

	As of March 31, 2016							
	Up to Three Months		Three Months to One Year		One to Five Years		More than Five Years	
Investments	**Amount**	**Yield**	**Amount**	**Yield**	**Amount**	**Yield**	**Amount**	**Yield**
				(Rs. in ten millions)				
Government securities	4,888.39	7.09	2,340.36	7.16	5,291.53	7.49	15,418.04	7.78
Other debt securities	5,163.33	8.78	13,253.21	8.52	18,647.00	8.57	18,308.26	8.40
Total debt securities market value	10,152.10		15,582.03		23,983.50		34,600.78	
Total book value	10,051.72	7.30	15,593.56	7.84	23,938.53	8.11	33,726.31	7.97

	As of March 31, 2017							
	Up to Three Months		Three Months to One Year		One to Five Years		More than Five Years	
Investments	**Amount**	**Yield**	**Amount**	**Yield**	**Amount**	**Yield**	**Amount**	**Yield**
				(Rs. in ten millions)				
Government securities	17,887.09	5.89	410,047.29	6.28	58,108.70	6.63	55,493.55	6.88
Other debt securities	38,564.52	6.43	30,947.54	7.19	30,801.20	7.12	23,978.13	6.48
Total debt securities market value	56,453.61		71,990.12		89,387.08		81,074.74	
Total book value	56,451.61	6.26	71,951.83	6.67	88,909.90	6.80	79,471.68	6.76

	As of March 31, 2018							
	Up to Three Months		Three Months to One Year		One to Five Years		More than Five Years	
Investments	**Amount**	**Yield**	**Amount**	**Yield**	**Amount**	**Yield**	**Amount**	**Yield**
				(Rs. in ten millions)				
Government securities	54,578.91	6.11	12,709.26	6.41	155,192.93	7.06	182,749.82	7.46
Other debt securities	29,764.98	7.07	42,035.54	7.51	37,509.30	7.91	21,038.68	8.89
Total debt securities market value	84,342.12		54,627.79		190,864.33		199,388.02	
Total book value	84,343.88	6.45	54,744.80	7.25	192,702.23	7.23	203,788.50	7.61

Investments	As of September 30, 2018							
	Up to Three Months		Three Months to One Year		One to Five Years		More than Five Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(Rs. in ten millions)							
Government securities	35,585.59	6.56	36,865.53	7.42	136,027.24	7.98	150,079.63	8.15
Other debt securities	55,412.25	7.17	14,712.03	8.72	38,043.84	9.08	19,765.64	9.32
Total debt securities market value	90,996.73		50,949.25		169,320.97		161,077.68	
Total book value	90,997.84	6.93	51,577.56	7.79	174,071.08	8.22	169,845.26	8.29

— Held to maturity

The following tables set forth, as of the indicated, an analysis of the residual maturity profile of the Bank's domestic investments in government and corporate debt securities classified as held to maturity and their weighted average market yields.

Investments	As of March 31, 2016							
	Up to Three Months		Three Months to One Year		One to Five Years		More than Five Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(Rs. in ten millions)							
Government securities	2,884.82	7.03	4,807.27	7.24	102,397.73	7.47	221,097.83	7.82
Other debt securities	5,163.33	0	13,253.21	0	18,647.00	8.41	18,308.26	8.35
Total debt securities market value	8,053.86		18,055.96		130,625.66		255,140.52	
Total book value	8,048.16	7.03	18,060.47	7.24	121,044.73	7.47	239,406.09	7.83

Investments	As of March 31, 2017							
	Up to Three Months		Three Months to One Year		One to Five Years		More than Five Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(Rs. in ten millions)							
Government securities	328.33	5.90	27,479.02	6.23	97,957.75	6.70	276,979.97	7.13
Other debt securities	0	0	1.84	13.98	222.88	7.23	325.51	7.62
Total debt securities market value	328.33		27,479.02		98,180.63		277,305.48	
Total book value	328.33	5.90	27,480.86	6.23	98,180.63	6.70	277,305.48	7.13

Investments	As of March 31, 2018							
	Up to Three Months		Three Months to One Year		One to Five Years		More than Five Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(Rs. in ten millions)							
Government securities	834.91	6.21	32,329.52	6.62	101,774.34	7.14	314,411.57	7.63
Other debt securities	0	0	89.41	7.25	496.57	7.62	9,146.79	7.54
Total debt securities market value	834.91		32,418.93		102,270.90		323,558.36	
Total book value	834.91	6.21	32,418.93	6.62	102,270.90	7.14	323,558.36	7.63

	As of September 30, 2018							
	Up to Three Months		Three Months to One Year		One to Five Years		More than Five Years	
Investments	**Amount**	**Yield**	**Amount**	**Yield**	**Amount**	**Yield**	**Amount**	**Yield**
	(Rs. in ten millions)							
Government securities	18,216.67	7.18	20,691.85	7.58	140,401.07	8.04	341,300.70	8.20
Other debt securities	0	0	89.41	7.79	538.37	8.52	9,104.99	7.56
Total debt securities market value	18,216.67		20,781.26		140,939.43		350,405.69	
Total book value	18,216.67	7.18	20,781.26	7.58	140,939.43	8.04	350,405.69	8.18

Funding and Liquidity

The Bank's funding operations are designed to ensure stability, low cost of funding and effective liquidity management. The Bank's principal sources of funds are deposits from retail and corporate customers, borrowings from RBI and other financial institutions, foreign currency borrowings, profits from the purchase and sale of investments, and the public and private issuance of bonds. Deposits raised from the retail segment were 89.7%, 90.0%, 91.8% and 90.6% of the Bank's total deposits as of March 31, 2016, 2017 and 2018, and September 30, 2018, respectively.

Total Deposits

The following table sets forth the Bank's average outstanding domestic deposits excluding inter-bank deposits on a monthly average basis and the percentage composition by each category of deposits. The average cost of savings deposits was 4.0%, 4.0%, 3.6% and 3.6% in the years ended March 31, 2016, 2017 and 2018 and the six months ended September 30, 2018, respectively. The average cost of time deposits (excluding Provident Fund deposits and Certificates of Deposit) was 8.2%, 7.6%, 7.0% and 6.7% in the years ended March 31, 2016, 2017 and 2018 and the six months ended September 30, 2018.

	Year ended March 31,					
	2016		2017		2018	
Investments	**Amount**	**% of Total**	**Amount**	**% of Total**	**Amount**	**% of Total**
	(Rs. in billions, except percentages)					
Term deposits	9,931,693	57.4	11,333,689	55.4	15,023,949	55.5
Saving Bank deposits	5,977,461	34.5	7,589,614	37.1	10,137,745	37.5
Demand deposits	1,398,070	8.1	1,524,211	7.5	1,901,739	7.0
Other deposits	—	—	—	—	—	—
Total	17,307,224	100.0	20,447,514	100.0	2,706,433	100.0

	Six months ended September 30,			
	2017		2018	
Investments	**Amount**	**% of Total**	**Amount**	**% of Total**
	(Rs. in billions, except percentages)			
Term deposits	14,682,344	56.0	15,683,128	55.9
Saving Bank deposits	9,848,360	37.5	10,608,597	37.8
Demand deposits	1,701,092	6.5	1,782,476	6.4
Other deposits	—	—	—	—
Total	26,231,796	100.0	28,074,201	100.0

As of September 30, 2018, individual domestic term deposits of the Bank in excess of Rs. 5,000,000 had balance to maturity profiles as set out below.

	As of September 30, 2018				
	Up to 3 Months	Over 3 Months to 1 Year	Over 1 Year to 5 Years	Over 5 Years	Total
	(Rs. in billions)				
Balance to maturity for deposits exceeding Rs. 5,000,000.	928,737	2,252,370	754,353	39,833	3,975,293

Short-term Borrowings

The following table sets forth information related to the Bank's short-term domestic borrowings, which primarily comprised money-market borrowings. Short-term borrowings exclude deposits and securities sold under repurchase agreements.

	Year ended March 31,			Six months ended September 30,	
	2016	2017	2018	2017	2018
	(Rs. in billions, except percentages)				
Period end balance	—	251.38	16.04	53.89	72.70
Average balance during the period not captured[(1)].	36.75	42.31	81.98	57.54	88.54
Average interest rate during the period[(2)].	7.1%	6.3%	5.9%	6.0%	6.2%
Interest at period end[(3)].	2.60	2.66	4.87	1.73	2.75

Notes:

(1) Average daily balances outstanding.

(2) Represents the ratio of interest expense on short-term borrowings to the average of balances of short-term borrowings.

(3) Represents the total interest paid on account of short term borrowings during the period.

Cash Flow Mismatch Analysis

The following table sets forth the Bank's structural liquidity gap position as of September 30, 2018:

	As of September 30, 2018				
	Up to 3 Months	Over 3 Months to 1 Year	Over 1 Year to 5 Years	Over 5 Years	Total
	(Rs. in billions, except percentages)				
Cash and Balances with RBI	285,699	209,616	397,143	407,176	1,299,634
Balances with Other Banks	155,992	8	696	—	156,696
Lending to Financial Institutions	256,390	7,758	10,791	—	274,938
Investments	3,855,921	1,359,706	2,834,894	2,775,597	10,826,119
Advances	1,755,037	1,638,115	11,181,435	4,998,809	19,573,396
Operating Fixed Assets	—	—	—	395,094	395,094
Deferred Tax Assets	—	—	—	—	—
Other Assets	1,226,088	422,036	363,921	317,800	2,329,846
Total Inflows	7,535,128	3,637,238	14,788,881	8,894,477	34,855,723
Capital and Reserves	—	—	—	2,180,017	2,180,017
Bills Payable	54,362	7,038	140,764	0	202,164
Borrowings from Financial Institutions	1,459,935	533,901	894,008	459,115	3,346,959
Deposits from Other Accounts	2,480,525	5,471,228	10,065,140	10,057,308	28,074,201
Subordinated Loans	—	—	—	—	—
Other Liabilities	374,607	239,945	201,882	235,948	1,052,382
Total Outflows	4,369,429	6,252,112	11,301,794	12,932,388	34,855,723
Liquidity Gap	3,165,699	(2,614,875)	3,487,086	(4,037,911)	—
Cumulative Gap	3,165,699	550,825	4,037,911	—	—
Liquidity gap as % of Total Liabilities	9.08	(7.50)	10	(11.58)	—

Notes:

(1) Classification methodologies are based on the Asset Liability Management Guidelines issued by the RBI.

(2) Assets and liabilities are classified into categories as per residual maturity.

(3) Assets and liabilities that do not mature or have ambiguous maturities are classified as per historical behavioral analysis or management judgment.

Loan Portfolio and Credit Substitutes

As of September 30, 2018, the Bank's gross loan portfolio was Rs. 20,692.34 billion and its gross credit substitutes outstanding were Rs. 6,166.71 billion. The majority of the Bank's gross loans and credit substitutes are to borrowers in India. For a description of the Bank's consumer loan products, see "*Business — Business Groups — National Banking Group — Personal Banking*."

The Bank makes loans to a wide range of public sector and private sector commercial and industrial customers, agricultural customers and individual customers, in each case within the guidelines issued by the RBI. Working capital facilities consist of revolving cash credit facilities and short-term loans. Revolving cash credit facilities, based on a traditional overdraft system of lending, have been the most common form of working capital financing in India. Pursuant to RBI guidelines, only a specified percentage of a working capital facility can be accessed as cash credit, with the balance being short-term loans having a minimum maturity of one year.

The following table sets forth the Bank's domestic loan portfolio classified by product groups.

	As of March 31,			As of September 30,
	2016	2017	2018	2018
	(Rs. in billions)			
Corporate loans	5,616.5	5,849.4	7,416.7	7,453.0
SME loans	1,895.4	2,251.5	2,698.8	2,657.0
Agriculture loans	1,253.9	1,347.3	1,882.5	1,907.3
Retail loans	3,270.8	3,962.4	5,465.9	5,765.9
Food advances and others	390.3	—	—	—
Total domestic loans	12,426.9	13,410.5	17,464.0	17,783.2

Interest Rate Sensitivity Analysis

The following table sets forth the interest rate sensitivity analysis of the Bank's assets and liabilities as of September 30, 2018:

	As of September 30, 2018, due in					
	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Non-Sensitive	Total
	(Rs. in millions)					
Cash and Balances with RBI	—	—	—	—	1,299,634.13	1,299,634.13
Balances with other Banks	—	—	—	—	174,619.50	174,619.50
Lending to Financial Institutions	160,511.43	—	—	—	—	160,511.43
Investments	1,564,356.68	754,748.18	3,284,376.42	5,007,929.56	214,707.70	10,826,118.54
Advances	8,189,004.24	8,997,984.24	2,181,480.65	204,927.01	—	19,573,396.14
Other Assets	96,502.97	0	0	0	2,724,940.16	2,821,443.13
Total Assets	10,010,375.33	9,752,732.42	5,465,857.07	5,212,856.57	4,413,901.49	34,855,722.87
Borrowings from Financial Institutions	2,091,658.44	3,284.73	49,006.38	10,203.65	—	2,154,153.20
Deposits and other accounts	3,707,878.35	8,262,523.38	15,855,794.09	248,005.25	2,180,017.05	30,254,218.12
Subordinated Loans	—	10,519.29	119,236.10	310,748.50	—	440,503.88
Other liability	792,815.53	114,554.12	59,160.71	3,442.13	1,036,875.19	2,006,847.68
Total Liabilities	6,592,352.32	8,390,881.51	16,083,197.28	572,399.53	3,216,892.23	34,855,722.87

Concentration of Loans and Credit Substitutes

Pursuant to RBI guidelines, exposure ceilings are 15.0% of capital funds (i.e., Tier I capital and Tier II capital) in the case of a single borrower and 40.0% of capital funds in the case of a borrower group. In the case of infrastructure projects, the individual and group exposure limits are 20.0% and 50.0%, respectively. The exposure limit in respect to a single borrower has been raised to 25.0% of capital funds only in regards to oil companies that have been issued oil bonds by the Government. Further, a bank may, in exceptional circumstances and with the approval of its board of directors, consider enhancement of its exposure to a borrower (single as well as group) up to a further 5.0% of capital funds subject to the borrower's consent to the bank's disclosure of such additional exposure in its annual reports. There are generally no restrictions in India on exposure to a particular industry. RBI norms specify exposure to capital market, real estate, sensitive commodities listed by the RBI, venture capital funds, stockbrokers, financing for acquisition of overseas entities, and credit to overseas joint ventures. For further information, see "*Regulation and Supervision.* "

The following table sets forth, at the dates indicated, the Bank's gross fund-based loans outstanding categorized by borrower industry or economic activity:

	As of March 31						September 30	
	2016		2017		2018		2018	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(in Rs. ten million, except %)							
Coal	441.88	0.23%	359.04	0.18%	34,841.7	0.17%	2,217.69	0.11%
Mining	891.91	0.46%	926.44	0.47%	54,185.6	0.26%	5,509.49	0.275
Iron & Steel.	13,435.18	6.97%	13,334.26	6.73%	1,243,666.2	6.00%	100,621.71	4.86%
Metal Products	5,004.41	2.59%	4,729.10	2.39%	356,042.6	1.72%	34,999.21	1.695
All Engineering. . . .	4,419.36	2.29%	3,767.44	1.90%	381,923.8	1.84%	37,645.72	1.82%
Of which Electronics	1,112.69	0.58%	691.96	0.35%	66,025.4	0.32%	7,282.04	0.35%
Electricity	3,596.52	1.86%	1,000.26	0.50%	32,684.6	0.16%	8,751.82	0.42%
Cotton Textiles	3,484.05	1.81%	3,538.32	1.79%	354,721.2	1.71%	33,533.99	1.62%
Jute Textiles.	50.90	0.03%	34.77	0.02%	4,758.8	0.02%	487.55	0.02%
Other Textiles.	2,964.28	1.54%	2,377.50	1.20%	171,623.3	0.83%	16,150.67	0.78%
Sugar	1,029.09	0.53%	932.60	0.47%	73,659.7	0.36%	6,873.21	0.33%
Tea	86.80	0.05%	68.59	0.03%	7,526.2	0.04%	1,062.53	0.05%
Food Processing . . .	3,972.23	2.06%	3,901.22	1.97%	583,897.1	2.81%	54,997.01	2.66%
Vegetable Oils & Vanaspati	650.62	0.34%	591.49	0.30%	64,481	0.31%	5,794.27	0.28%
Tobacco / Tobacco Products	66.67	0.03%	57.39	0.03%	5,078	0.02%	356.09	0.02%
Paper / Paper Products	624.68	0.32%	515.78	0.26%	47,821	0.23%	4,635.39	0.22%
Rubber / Rubber Products	495.97	0.26%	979.51	0.49%	89,057.3	0.43%	7,741.04	0.37%
Chemicals / Dyes / Paints etc.	7,876.04	4.08%	7,003.89	3.54%	911,048.3	4.39%	70,813.89	3.42%
Of which Fertilizers .	1,219.47	0.63%	1,284.28	0.65%	147,640.4	0.71%	12,228.44	0.59%
Of which Petrochemicals. . .	4,173.46	2.16%	2,861.04	1.44%	460,497.7	2.22%	22,155.39	1.07%
Of which Drugs & Pharma	1,218.08	0.63%	1,181.96	0.60%	118,049.6	0.57%	11,924.97	0.58%
Cement.	918.26	0.48%	1,108.99	0.56%	92,933	0.45%	8,869.91	0.43%
Leather & Leather Products	258.28	0.13%	249.25	0.13%	27,069.3	0.13%	2,826.32	0.14%
Gems & Jewellery . .	1,502.36	0.78%	1,580.26	0.80%	149,357.8	0.72%	13,651.47	0.66%
Construction.	2,103.76	1.09%	2,260.97	1.14%	267,344.1	1.29%	26,715.97	1.29%
Petroleum	5,087.18	2.64%	1,739.64	0.88%	325,592.5	1.57%	37,882.36	1.83%
Automobiles & Trucks.	1,509.96	0.78%	1,534.19	0.77%	132,178.4	0.64%	13,893.81	0.67%
Computer Software. .	403.40	0.21%	254.07	0.13%	26,409	0.13%	2,583.37	0.12%
Infrastructure	29,756.02	15.43%	26,496.85	13.38%	2,803,138.3	13.51%	278,682.77	13.47%
Of which Power . . .	17,015.01	8.82%	17,127.07	8.65%	1,769,790.4	8.53%	181,124.27	8.75%
Of which Telecommunications.	2,789.14	1.45%	2,286.35	1.15%	216,323.3	1.04%	19,980.91	0.97%
Of which Roads & Ports.	3,525.55	1.83%	2,992.01	1.51%	373,496.2	1.80%	32,581.92	1.57%
Other Industries . . .	17,412.40	9.03%	28,717.98	14.50%	2,838,967.8	13.69%	311,689.57	15.06%
NBFCs & Trading . .	20,651.12	10.71%	20,583.26	10.39%	2,594,972.1	12.51%	265,950.13	12.85%
Residual Advances . .	64,173.64	33.27%	69,462.36	35.06%	7,069,647.3	34.08%	714,297.17	34.52%
Total	192,871.50	100.00%	198,105.40	100.00%	20,744,626	100.00%	2,069,234.13	100.00%

As of September 30, 2018, aggregate exposure to the Bank's top ten largest borrowers amounted to Rs. 1,425.91 billion representing approximately 59.9% of its total Tier I and Tier II capital. The Bank had an exposure of Rs. 415.35 billion on such date for its single largest borrower, representing 17.4% of its Tier I and Tier II capital, as of September 30, 2018.

Regional Concentration

The Bank's widespread branch network enables the Bank to diversify its lending risks geographically. The following table presents an analysis of the Bank's domestic advances by region as of the dates indicated.

Circle	As of March 31, 2016	As of March 31, 2017	As of March 31, 2018	As of September 30, 2018
Ahmedabad	3%	3%	3%	3%
Bangalore	3%	3%	5%	5%
Bengal/Kolkata	2%	2%	2%	2%
Bhopal	5%	4%	4%	4%
Bhubaneswar	2%	1%	1%	1%
Chandigarh	4%	3%	4%	4%
Chennai	5%	4%	5%	5%
Delhi	6%	4%	4%	4%
Hyderabad	6%	5%	4%	4%
Kerala	2%	2%	3%	3%
Lucknow	2%	2%	2%	2%
Mumbai	9%	6%	7%	7%
North East	2%	2%	2%	2%
Patna	3%	2%	2%	2%
Jaipur	N.A.	N.A.	4%	4%
Amravati	N.A.	N.A.	4%	5%
Corporate Center(1)	46%	58%	43%	43%
Total domestic advances	100%	100%	100%	100%

Note:

(1) The Corporate Center houses the Corporate Accounts Group. Also housed at the Corporate Center is the SARG. The Corporate Accounts group has offices in Chennai, Mumbai and New Delhi; Project Finance and Leasing group's office is located in Mumbai and Commercial Clients Group has a network of nine regional offices and 45 branches covering major industrial and business centers in India. However, these business groups extend loans to borrowers located throughout India.

The Bank's aggregate exposure to its ten largest individual borrowers as of September 30, 2018 totaled approximately Rs. 1,252.8 billion, or 6.1% of its total exposure.

Non-Performing Assets

The Bank has in the past suffered losses through impairment of loans as some borrowers were impacted by negative trends in the global market place, recessionary conditions in the domestic economy, increased competition and volatility in industrial growth and commodity prices. The Bank has adopted several measures to refine its credit selection processes and appraisal capabilities, including the establishment of SARG. See "*— Other Strategies for NPA Reduction*" and "*Business — Business Groups— Stressed Assets Resolution Group*."

The management of NPAs has been one of the focus areas of the Bank with the objective to achieve global benchmarks. Towards this goal, the Bank has focused on:

- identification and monitoring of Special Mention Accounts as per RBI guidelines in order to check the movement of Standard assets into the NPA category, conducting regular reviews and taking quick corrective action to upgrade the Bank's assets;

- high-value accounts are referred to NCLT for resolution under Insolvency and Bankruptcy Code, 2016 ("**IBC**"). The RBI's Internal Advisory Committee identifies high-value stressed accounts and advises the Bank to initiate the bankruptcy proceedings under IBC; and

- restructuring impaired Standard accounts as well as viable NPAs under the Bank's own scheme for limiting NPAs;

- Impaired assets which cannot be restructured are considered for compromise or sale to ARCs/Banks/FIs/NBFCs.

As of September 30, 2018, and as of March 31, 2018, 2017 and 2016, the Bank's gross NPAs represented 9.9%, 10.9%, 6.9% and 6.5%, respectively, of its gross customer assets, and the Bank's NPAs, net of provisions, represented 4.8%, 5.7%, 3.7% and 3.8%, respectively, of its net customer assets.

The following table sets forth information about the Bank's NPA portfolio.

	As of March 31,			As of September 30,
	2016	**2017**	**2018**	**2018**
	(Rs. in billions except percentages)			
Gross NPAs	981.7	1,123.4	2,234.3	2,058.6
Specific provisions	423.4	540.4	1,123.8	1,108.6
Floating provisions	0.2	0.2	1.9	1.9
NPA net of provisions	558.1	582.8	1,108.6	948.1
Gross customer assets	15,095.0	16,272.7	20,483.9	20,692.3
Net customer assets	14,637.0	15,710.8	19,348.8	19,573.4
Gross NPAs/gross customer assets (%)	6.5%	6.9%	10.9%	10.0%
Net NPAs/net customer assets (%)	3.8%	3.7%	5.7%	4.8%
Specific provision as a percentage of gross NPAs	43.1%	48.1%	50.3%	53.9%
Total provisions as a percentage of gross NPAs	43.2%	48.1%	50.4%	54.0%

The Bank's net provisioning coverage ratio as of March 31, 2016, 2017, 2018 and September 30, 2018, computed as per RBI guidelines, was 60.69%, 65.95%, 66.17% and 70.74%, respectively.

The following table sets forth, for periods indicated, information about the Bank's unconsolidated NPA provisions.

	As of March 31,			As of September 30,
	2016	2017	2018	2018
	(Rs. in millions)			
Specific provision at the beginning of the year	291.1	423.4	808.7	11,23.8
Addition during the year	132.3	385.2	315.6	—
Reduction during the period	—	—	—	(15.2)
Specific provision at the end	423.4	808.7	1,123.8	1,108.6
Floating provision	0.2	0.2	1.9	1.9

The Bank established a separate vertical named Stressed Assets Management Group in 2004 to ensure close and continuous monitoring and timely management of NPAs of Rs. 1.0 million and above. The vertical has since been renamed as Stressed Assets Resolution Group comprising of 76 branches spread all across the country. These NPAs are mostly held by SARG branches which are directly controlled from SARG, Corporate Center which is headed by a managing director. A high level task force at Corporate Center periodically reviews NPAs of Rs. 2.0 billion and above. The NPA position of the Bank is also reviewed by the Central Management Committee of the Bank at monthly intervals and the Bank's Board at quarterly intervals.

The following table sets forth the classification of gross loan assets of the Bank at the dates indicated.

	As of March 31,			As of September 30,
	2016	2017	2018	2018
	(Rs. in billions)			
Standard	14,113.3	15,149.3	18,249.6	18,633.7
Restructured assets	661.2	659.4	588.1	439.2
Non-performing assets	981.7	1,123.4	2,234.3	2,058.6
Sub-standard assets	274.8	243.1	496.4	307.4
Doubtful assets	684.6	857.8	1,657.9	1,644.2
Loss assets	22.3	22.5	80.0	107.0

The following table sets forth the Bank's NPAs for its ten largest accounts, broken down by industry, as of September 30, 2018.

Industry (no. of accounts)	(Gross principal outstanding) (Rs. in billions) As of September 30, 2018
Airways (1)	12.17
Iron and steel (2)	182.32
Pharmaceuticals (1)	5.74
Textiles (1)	80.58
Infrastructure (1)	35.61
Paper (1)	2.73
Hotel (1)	10.80
Engineering (1)	9.72
Power (1)	41.52
Total	**381.19**

Recognition of NPAS and provisioning

RBI Classification and Provisioning Requirements

The Bank classifies its assets in accordance with RBI guidelines. Under these guidelines, an asset is classified as non-performing if any amount of interest or principal remains overdue for more than 90 days in respect of term loans. In respect of overdraft and cash credit, an asset is classified as non-performing if the account remains out of order for a continuous period of 90 days, and in respect of bills, if the account remains overdue for more than 90 days.

Assets are classified as described below:

Standard asset	A standard asset is one which does not disclose any problem and which does not carry more than normal risks attached to the business. Such asset is not an NPA.
Sub-standard asset	A sub-standard asset is one which has remained an NPA for a period of less than or equal to 12 months.
Doubtful asset	A doubtful asset is one which has remained in the sub-standard category for a period of 12 months and more.
Loss asset	A loss asset is one where loss has been identified by the bank or internal or external auditors or the RBI inspection, but the amount has not been written off wholly. In other words, such an asset is considered uncollectible.

The Bank's NPAs include loans and advances as well as credit substitutes, which are funded credit exposures such as debentures and preference shares.

The following table provides a summary of the Bank's gross loan assets as of the periods indicated, in accordance with RBI classifications.

Asset Category	As of March 31, 2016	As of March 31, 2017	As of March 31, 2018	As of September 30, 2018
	(Rs. in millions)			
Standard	14,113.3	15,149.3	18,249.6	18,633.7
Sub-standard	274.8	243.1	496.4	307.4
Doubtful	684.6	857.8	1,657.9	1,644.2
Loss	22.3	22.5	80.0	107.0
Total	15,095.0	16,272.7	20,483.9	20,692.3

The following table sets forth the Bank's provisions for possible credit losses at the dates indicated.

Asset Category	As of March 31, 2016	As of March 31, 2017	As of March 31, 2018	As of September 30, 2018
	(Rs. in millions, except for percentages)			
Provision held	423.7	540.7	1,125.7	1,110.6
Provision held as percentage of gross advances	2.8%	3.3%	5.5%	5.4%
Provision held as percentage of gross NPAs	43.2%	48.1%	50.4%	54.0%

Restructured Assets

RBI has issued separate guidelines for restructured assets. A fully secured standard asset can be restructured by rescheduling principal repayments and/or the interest element, but it must be separately disclosed as a restructured asset. The amount of sacrifice, if any, in the element of interest, measured in present value terms, is either written-off or provision is made to the extent of the sacrifice involved. Similar guidelines apply to sub-standard assets. The sub-standard accounts which have been subjected to restructuring, whether in respect of a principal installment or an interest amount, are eligible to be upgraded to the standard category only after the specified period, which is a period of one year after the date when first payment of principal or interest, whichever is earlier, falls due, subject to satisfactory performance during the period.

Provisioning and Write Offs

RBI guidelines on provisioning and write-off are as follows:

Standard assets	The general provisioning requirement for all types of 'standard advances' shall be 0.40%. However, direct advances to agricultural and SME sectors which are standard assets, would attract a uniform provisioning requirement of 0.25%. For specific sectors, such as commercial real estate and commercial real estate-residential housing, provisioning at 1.0% and 0.75%, respectively, is required.
Sub-standard assets	A general provision of 10.0% on total outstanding and 20.0% of the outstanding on the "unsecured exposures" identified as "sub-standard." Unsecured exposure is an exposure where realizable value of security is not more than 10.0%, ab-initio, of the outstanding exposure.
Doubtful Assets	Provision should be for 100.0% of the extent to which the advance is not covered by the realizable value of the security to which the bank has a valid recourse should be made and the realizable value is estimated on a realistic basis. In regard to the secured portion, provision may be made on the following basis, at the rates ranging from 20.0% to 100.0% of the secured portion depending upon the period for which the asset has remained doubtful.

Period for which advance remained in "Doubtful" category	Provision requirement
	(%)
Up to one year	25.0
One to three years	40.0
More than three years	100.0
Loss Assets	The entire asset is written off or 100.0% provision is made on outstanding amount.

Analysis of NPAs by Industry Sector

The following table sets forth the Bank's domestic NPAs, by borrowers' industry or economic activity and as a percentage of its loans in the respective industry or economic activities sector. These figures do not include credit substitutes.

	As of March 31,								
	2016			2017			2018		
	(Rs. ten million, except percentages)								
Name of the Industry	Gross Assets	NPAs	% of NPA in Industry	Gross Assets	NPAs	% of NPA in Industry	Gross Assets	NPAs	% of NPA in Industry
Power	136,455	2,651	1.94	146,223	4,075	2.79	170,181	31,678	18.61
Trading	69,368	5,722	8.25	65,818	5,435	8.26	95,156	8,721	9.17
NBFC	51,933	78	0.15	51,365	75	0.15	98,996	625	0.63
Iron & Steel	81,851	26,996	32.98	80,226	31,811	39.65	99,805	48,055	48.15
Food Processing	23,970	3,457	14.42	23,631	5,317	22.50	54,630	8,860	16.22
Textiles	36,331	8,070	22.21	30,659	7,529	24.56	43,412	13,234	30.48
Roads	15,124	3,648	24.12	14,823	4,345	29.31	26,946	8,908	33.06
Financial	11,453	5	0.04	12,471	4	0.03	25,977	35	0.14
Telecom	22,756	540	2.37	19,658	223	1.14	20,905	8,913	42.63
Petrochemicals	27,156	35	0.13	32,523	961	2.96	33,235	322	0.97
Fertilizers	14,044	32	0.23	17,386	22	0.13	14,790	424	2.87
Cement	5,932	436	7.34	7,126	1,226	17.20	8,696	1,089	12.52
Other Advances (Domestic)	746,309	38,718	5.19	839,146	44,526	5.31	1,053,660	85,365	8.10
Grand Total (Domestic)	1,242,683	90,388	7.27%	1,341,054	105,549	7.87%	1,746,389	216,228	12.38%

	As of September 30,		
	2018		
Name of the Industry	Gross Assets	NPAs	% of NPA in Industry
	(Rs. ten million, except percentages)		
Power	178,988	32,676	18.26
Trading	121,912	9,363	7.68
NBFC	115,049	545	0.47
Iron & Steel	85,570	34,595	40.43
Food Processing	51,023	7,953	15.59
Textiles	39,518	12,638	31.98
Roads	38,622	8,154	21.11
Financial inst.	27,180	6	0.02
Telecom.	24,438	8,204	33.57
Petrochemicals	23,433	647	2.76
Fertilizers	13,454	1,013	7.53
Cement	8,440	1,105	13.09
Other Advances (Domestic)	1,050,693	85,280	8.12
Grand Total (Domestic)	1,778,320	202,180	11.37

Business segment analysis of the Bank's domestic NPA portfolio as of September 30, 2018

Business segment	As of September 30, 2018
	(Rs. in billions)
Agriculture	218.0
Per segment	69.3
Small and Medium Enterprises	271.2
Corporates	1,463.3
International	36.9
Total	**2,058.6**

Top Ten Non-Performing Assets

The following table sets forth information regarding the Bank's ten largest NPAs, classified by industry sector, as well as the value of the collateral securing the loan (the valuations are derived from the audited financial statements of the borrower or independently arrived at by outside agencies). However, the net realizable value of such collateral may be substantially less. See "*Risk Factors — Risks Relating to the Bank's Business — The Bank may experience delays in enforcing its collateral when borrowers default on their obligations to the Bank, which may result in a failure to recover the expected value of collateral security, exposing the Bank to a potential loss.*"

	As of September 30, 2018					
Industry (no. of accounts)	Type of Banking Arrangement	Gross Principal Outstanding	Provisions	Principal Outstanding Net of Provision For Credit Losses	Collateral	Currently Servicing All Interest Payments
		(Rs. in ten millions)				
Power (3)	Consortium	12,136	3,897	8,239	14,805	No
Iron and steel (2)	WC; Consortium TL: MBA	18,240	8,335	9,897	13,300.71	No
Telecom (1)	TL-Consortium NFB-MBA	6,697.29	3,344	3,353.00	44,536.22	No
Other (Cement, Consumer durable, etc) (4)	WC; Consortium TL: MBA	20,215.74	14,179	5,931	14,611	No
Total		57,298	29,755	27,420	87,253	

Restructuring of Debts

The Bank's NPAs are restructured on a case-by-case basis after it has been determined that restructuring is the best means of maximizing realization of the loan. These loans continue to be on a non-accrual basis and are reclassified as performing loans only after sustained performance under the loan's renegotiated terms for a period of at least one year.

Management of Stressed Assets

An integrated approach for review and management of Stressed Assets including rehabilitation and restructuring has been put in place. The primary intent in the approach is to ensure that a SMA (account showing sign of trouble) does not slip into NPA status. Identification, determination of the cause of the problem and initiation of remedial measures on a pro-active basis with a thrust on restructuring of accounts that are intrinsically viable, are the hallmarks of this approach.

A review of Stressed Assets is provided to the appropriate reviewing authority at specified intervals, who would then give necessary directions on the recommended action plan. Based on a detailed viability study, if the unit is found viable, it is put on a rehabilitation package.

Other Strategies for NPA Reduction

The following are the strategies followed by the Bank to reduce the level of NPAs.

- In respect of all NPAs above Rs. 0.10 million, provisions of the SARFAESI Act 2002 are being invoked to advise the defaulting borrowers to repay the Bank's dues before the assets charged to Bank as security are also seized and auctioned.

- In respect of Agricultural banking and Retail banking, specific special business units such as the AGL Business Unit and Small and Medium Enterprises Business unit have been created to boost not only growth of business in these segments but also to take effective measures, including restructuring for reduction of NPAs as well as efforts to avoid Standard Assets from becoming NPAs.

- Recourse to recovery channels like SHG Network, Enforcement and Recovery agents, intensive recovery camps and deployment of Marketing and Recovery officers with specific recovery targets in the Agriculture Business Segment for speedy recovery of NPAs by the Agri Business Unit and the Small and Medium Enterprise Business Unit form part of stepped-up efforts for recovery of agriculture and retail banking NPAs. See "*Risk Factors — Risk Relating to the Bank's Business — The Bank's loan portfolio contains significant advances to the agricultural sector.*"

- Bank has been making efforts to raise awareness amongst the defaulting borrowers/guarantors to approach us with acceptable compromise proposal under the Bank's own NPA Management Policy or Lok Adalat Scheme. Such resolution is generally resorted to in eligible cases of NPAs under the agriculture segment and those financed under Government Sponsored Schemes. "Lok Adalat Scheme" means any scheme framed by the National Legal Services Authority, a State Legal Services Authority or a District Legal Services Authority constituted under section 3, 6, 9 of the LSA Act, 1987 respectively, for the purpose of giving effect to any of the provisions of the LSA Act, 1987.

- Constant monitoring of suits filed or judgment decrees rendered and DRT/RC issued cases is done. The execution of judgment decrees is subjected to closed attention in order to have timely recoveries and avoid loss of assets.

- Close follow up with Central and State Government authorities for resolution of Government Guaranteed accounts.

- Sale of all hardcore assets to Asset Reconstruction Companies, other banks, financial institutions or non-banking financial companies on a security receipt or cash basis.

- Migration of NPAs and Advance Under Collection Accounts of Rs. 100.00 million and above to the Stressed Assets Management Branches located at 20 centers across India and all non-agricultural NPAs below Rs. 100.00 million to Stressed Assets Resolution Branches in the 56 centers where they are located, for focused monitoring.

- All eligible accounts are being referred to NCLT for resolution under Insolvency and Bankruptcy Code, 2016 for faster recovery. As of September 30, 2018, 391 accounts with an outstanding of Rs. 1.54 trillion have been referred to NCLT for resolution.

MANAGEMENT

The following chart illustrates the management structure of the Bank as of the date of this Offering Memorandum:

Board of Directors

The State Bank of India was constituted in 1955 when the Indian Parliament passed the SBI Act. A Central Board was constituted pursuant to the SBI Act, and the Central Board complies with the provisions of the SBI Act.

Other than the Chairman, the number of full time Directors and other Directors on the Bank's Board as of March 31, 2018 and September 30, 2018 is as under:

	As of March 31, 2018	As of September 30, 2018
Full time Directors (i.e. Managing Directors)	Three	Four
Other Directors	Eight	Nine

Other Directors include eminent professionals with expertise in fields of technology, accountancy, finance and economics. These included representatives of shareholders and staff of the Bank, nominees of the Government and the RBI, and directors nominated by the Government under section 19(d) of the SBI Act. The directors are appointed pursuant to section 19 of the SBI Act. The Chairman and the Managing Directors are appointed under section 19(a) and 19(b) of the SBI Act, respectively.

The non-executive directors who are on the Central Board of the Bank are:

- four directors elected under section 19(c) by the shareholders;
- three directors nominated under section 19(d) by the Government;
- one director nominated by the Government under section 19(e); and
- one director nominated by the Government on the recommendation of the RBI under section 19(f).

Central Board as of the date of this Offering Memorandum

	Name	Designation
1	Shri. Rajnish Kumar	Chairman
2	Shri. P. K. Gupta	Managing Director — Retail & Digital Banking
3	Shri. Dinesh Kumar Khara	Managing Director — Global Banking & Subsidiaries
4	Shri Arijit Basu	Managing Director — Commercial Clients Group
5	Smt Anshula Kant	Managing Director — Stressed Assets, Risk & Compliance
6	Shri. Sanjiv Malhotra	Director appointed under Section 19(c) of SBI Act
7	Shri. Bhaskar Pramanik	Director appointed under Section 19(c) of SBI Act
8	Shri. Basant Seth	Director appointed under Section 19(c) of SBI Act
9	Shri B Venugopal	Director appointed under Section 19(c) of SBI Act
10	Dr. Girish K. Ahuja	Director appointed under Section 19(d) of SBI Act
11	Dr. Pushpendra Rai	Director appointed under section 19(d) of the SBI Act
12	Dr. Purnima Gupta	Director appointed under section 19(d) of SBI Act

The Bank's Central Board meets regularly in accordance with requirements of the Bank, with a minimum of six meetings per year. As of September 30, 2018, the Central Board held seven meetings for fiscal year 2018-2019.

Central Management Committee

The Central Management Committee (the "**CENMAC**") is a body consisting of the Chairman, the four Managing Directors and all Deputy Managing Directors of the Bank. It is headed by the Chairman and is the highest non-Board level policy-making body of the Bank. The CENMAC also serves as a think tank and facilitates the day-to-day affairs of the Bank. The Bank has in place a system to delegate powers to the various tiers of management. The Bank believes the Central Board has established a positive functioning relationship with senior management of the Bank. As of the date of this Offering Memorandum, the members of the CENMAC are as follows:

	Name	Designation
1	Shri Rajnish Kumar	Chairman
2	Shri P.K.Gupta	Managing Director (Retail & Digital Banking)
3	Shri Dinesh Kumar Khara	Managing Director (Global Banking & Subsidiaries)
4	Shri Arijit Basu	Managing Director (Commercial Clients Group & IT)
5	Smt. Anshula Kant	Managing Director (Stressed Assets, Risk & Compliance)
6	Shri Siddhartha Sengupta	Deputy Managing Director (International Banking Group)
7	Shri C.Venkat Nageswar	Deputy Managing Director (International Banking Group)-Designate
8	Smt. Anuradha Rao	Deputy Managing Director (Strategy) & Chief Digital Officer
9	Shri B.C.Das	Deputy Managing Director (Internal Audit)
10	Shri Prashant Kumar	Deputy Managing Director & Chief Financial Officer
11	Shri K.V.Haridas	Deputy Managing Director (Retail Business)
12	Shri Anil Kishora	Deputy Managing Director & Chief Risk Officer
13	Shri B. Ramesh Babu	Deputy Managing Director (Chief Operating Officer)
14	Shri P.N.Prasad	Deputy Managing Director (Commercial Clients Group-I)
15	Shri S.K. Varma	Deputy Managing Director (Corporate Accounts Group)
16	Shri D.A.Tambe	Deputy Managing Director & Chief Information Officer
17	Shri Partha Pratim Sengupta	Deputy Managing Director & Chief Credit Officer
18	Shri C.S.Setty	Deputy Managing Director (Stressed Assets Resolution Group)

* *Positions of DMD (HR) & CDO and DMD (Global Markets) and DMD (CCG-II) is not mentioned in the list as additional charge of these positions have been given to DMD & CFO, DMD (IBG) and DMD (CCG-I), respectively.*

Profile of Central Management Committee Members

Shri. Rajnish Kumar assumed office as Chairman of State Bank of India on October 7, 2017. Prior to that he joined the Board on May 26, 2015 as Managing Director & Group Executive (National Banking Group). (Prior to this appointment he was the Managing Director and chief executive officer of SBI Capital Markets.) He has significant and varied experience in the areas of credit and corporate banking, including overseas experience at London and Toronto. He joined the Bank as a direct recruit officer in 1978. Previously he has also held positions of the Chief General Manager (Project Finance Department) and Chief General Manager of the Bank's North Eastern Circle.

Shri. P. K. Gupta joined the Board on November 2, 2015 and is currently Managing Director (Retail & Digital Banking). Prior to this appointment he was the Managing Director (Compliance & Risk) and Managing Director and Chief Executive Officer of SBI Capital Markets. He has significant and varied experience in the areas of treasury and corporate banking, including overseas experience at Bahrain. He joined the Bank as a direct recruit officer in 1982. Previously, he held the positions of Chief General Manager (Bhubaneswar Circle) and Chief General Manager of Global Markets.

Shri. Dinesh Kumar Khara joined the Board on August 9, 2016 and is currently Managing Director (Global Banking & Subsidiaries). Prior to this appointment he was Managing Director (Risk, IT and Subsidiaries), MD & GE (Associates & Subsidiaries) and MD and CEO of SBI Funds Management P. Ltd. He joined the Bank as a direct recruit officer in 1984. He has held various important assignments in the Bank.

Shri. Arijit Basu joined the Board on June 25, 2018 and is currently Managing Director of Corporate Clients Group & IT. He was Deputy Managing Director of Corporate Accounts Group at State Bank of India from March 2018 to June 2018. He served as the Chief Executive Officer and Managing Director of SBI Life Insurance Company Limited since August 1, 2014 until March 10, 2018. He joined the Bank as a direct recruit officer in 1983. He has significant and varied experience in the areas of credit and corporate banking, including overseas experience at London and Tokyo.

Ms. Anshula Kant is Managing Director (Stressed Assets, Risk & Compliance) at the Corporate Center of the Bank. She joined the Bank as a direct recruit officer in 1983. Previously, she held the positions of Deputy Managing Director & CFO, Deputy Managing Director (Operations), Chief General Manager and General Manager at the Mumbai circle of the Bank.

Shri. Siddhartha Sengupta is Deputy Managing Director (International Banking Group). He joined the Bank as a direct recruit officer in 1982. Previously, he held the position of Regional Head at the Bank's Middle East Operations. He has significant and varied experience in the areas of credit and corporate banking, including overseas experience at New York and Dubai.

Shri. Shri C.Venkat Nageswar is Deputy Managing Director (International Banking Group - Designate). He joined the Bank as a direct recruit officer in 1983. Previously, he held the positions of Deputy Managing Director (Global Markets), Chief General Manager (Global Markets) and Regional Head of the Bank's East Asia Operations.

Smt. Anuradha Rao is Deputy Managing Director (Strategy & Chief Digital Officer). She joined the Bank as a direct recruit officer in 1982. Previously, she held the positions of Managing Director of SBI Fund Management Ltd and CGM (Personal Banking Business). She has held various important assignments in the Bank.

Shri. B.C. Das is Deputy Managing Director (Internal Audit Department). He joined the Bank as a direct recruit officer in 1984. Previously, he held the position of Chief General Manager (Kerala Circle). He has significant and varied experience in the areas of credit and corporate banking, including overseas experience in New York.

Shri. Prashant Kumar is the Deputy Managing Director and CFO of the Bank. He joined the Bank as a direct recruit officer in 1983. Previously, he held the positions of DMD (HR) & CDO, Chief General Manager (Bengaluru Circle) and General Manager (Mumbai Circle).

Shri. K. V. Haridas is Deputy Managing Director (Retail Business). He joined the Bank as a direct recruit officer in 1984. Previously, he held various important positions in the Bank.

Mr. Anil Kishora is the Deputy Managing Director and Chief Risk Officer of the Bank. He joined the Bank as a direct recruit officer in 1982. Previously, he held the positions of Chief General Manager (Chandigarh circle) and the Country Head of Singapore.

Shri. B. Ramesh Babu is the Deputy Managing Director and Chief Operating Officer of the Bank. He has significant and varied experience in the areas of credit and International banking, including overseas experience at Chicago. Previously, he held the positions of Chief General Manager (Chennai Circle), Chief General Manager (Associates & Subsidiaries) and various other positions in the Bank.

Shri. P. N. Prasad is the Deputy Managing Director in charge of Commercial Clients Group I, West& East. He joined the Bank as a direct recruit officer in 1983. He was earlier CGM, heading Mid Corporate Group. He has held various important assignments in the Bank.

Shri. S. K. Varma is the Deputy Managing Director in charge of Corporate Accounts Group. He joined the Bank as a direct recruit officer in 1987. He was Chief General Manager in charge of International Banking Operations and was CEO of SBI's New York operations.

Shri. D. A. Tambe is the Deputy Managing Director and Chief Information Officer of the Bank. He joined the Bank as a direct recruit officer in 1987. He has significant and varied experience in the areas of Information Technology and corporate banking, including overseas experience at New York.

Shri. Partha Pratim Sengupta is the Deputy Managing Director and Chief Credit Officer of the Bank. He joined the Bank as a direct recruit officer in 1987. Previously, he held the positions of Chief General Manager (Kolkata Circle) and various other positions in the Bank.

Shri. C. S. Setty is the Deputy Managing Director (Stressed Assets Resolution Group). He was Chief General Manager (Corporate Accounts Group — I). He joined the Bank as a direct recruit officer in 1988. He has significant and varied experience in the areas of credit and corporate banking, including overseas experience in New York.

Committees

Under the terms of provision of the SBI Act and General Regulations 1955 and relevant regulatory guidelines, there are 12 committees of Directors: (1) Executive Committee of the Central Board, (2) Audit Committee of the Board, (3) Stakeholders Relationship Committee, (4) Risk Management Committee of the Board, (5) Special Committee of the Board for Monitoring Large Value Frauds, (6) Customer Service Committee of the Board, (7) IT Strategy Committee, (8) Remuneration Committee of the Board, (9) Board Committee to Monitor Recovery, (10) Nomination Committee, (11) Committee to review Identification of Wilful Defaulters / Non Co-operative Borrowers (12) Corporate Social Responsibility Committee.

Executive Committee of the Central Board

The Executive Committee of the Central Board (the "**ECCB**") is constituted pursuant to section 30 of the SBI Act. SBI General Regulations, 1955 ("**SBI Regulations**"). SBI Regulations (sections 46 and 47) provide that, subject to the general or special directions of the Central Board, the ECCB may deal with any matter within the competence of the Central Board. The ECCB consists of the Chairman, the Managing Directors, the director nominated under clause (f) of section 19 of the SBI Act (the "RBI

Nominee"), and all or any of the other directors who are normally residents or may, for the time being, be present at any place within India where ECCB meetings are held. The ECCB meetings are held once every week. The ECCB met 52 times between April 1, 2017 and March 31, 2018 and 26 times between April 1, 2018 and September 30, 2018.

Audit Committee of the Board

The Audit Committee of the Board ("**ACB**") was constituted on July 27, 1994 and last reconstituted on September 19, 2018. The ACB operates under RBI guidelines and complies with the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 to the extent that they do not violate the directives and guidelines issued by the RBI. The composition and functions of the ACB are set out below:

Composition of the Committee

The ACB has seven members as of March 31, 2018 including two whole time Directors, two official Directors (nominees of the Government and the RBI) and three non-official, non-executive Directors. Meetings of the ACB are chaired by a non-executive Director. The members of the ACB are:

- **Dr. Girish Ahuja** - Non-official Director - Chairman of the Committee;
- **Shri. Bhaskar Pramanik** - Non-official Director
- **Shri. Basant Seth** - Non-official Director
- **Shri. Rajiv Kumar** - Director appointed under section 19(e) of the SBI Act (GOI Nominee)
- **Shri. Chandan Sinha** - Director appointed under section 19(f) of the SBI Act (RBI Nominee)
- Managing Director - Corporate & Global Banking (Ex-Officio)
- Managing Director - Risk, IT & Subsidiaries (Ex-Officio)

The functions of the ACB are as follows:

- The ACB provides direction to and oversees the operation of the total audit function of the Bank. "Total audit function" comprises the organization, operationalization and quality control of internal audits and inspections within the Bank and follow-up action on statutory/external audit of the Bank and compliance with RBI inspections. The ACB appoints statutory auditors of the Bank and reviews their performance from time to time.
- The ACB reviews the Bank's financial, risk management, and various information systems, audits and accounting policies and other internal procedures of the Bank to ensure greater transparency.
- The ACB reviews the internal inspection and audit plan and functions of the Bank, including the system as a whole as well as its quality and effectiveness in terms of follow-up. It reviews the inspection reports of specialized and extra-large branches and all branches with unsatisfactory ratings. The ACB is responsible for appropriate compliance and follow up actions with respect to:
  - KYC-AML guidelines;
  - major areas of housekeeping;

- compliance with SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 (earlier Listing Agreement under Clause 49) and other guidelines issued by SEBI from time to time; and

- the status of implementation of the Ghosh and Jilani committee recommendations.

- The ACB follows-up on all issues raised in the RBI's Annual Financial Inspection Reports under Section 35 of Banking Regulation Act, 1949 ("Banking Regulation Act") and long form audit reports of the statutory auditors and other internal audit reports. It interacts with external auditors before the finalization of the Bank's quarterly and annual financial accounts and reports.

Thirteen meetings of the ACB were held between April 1, 2017 and March 31, 2018 and six meetings were held between April 1, 2018 and September 30, 2018, to review various matters connected with internal control systems and procedures and other aspects as required under the terms of the RBI guidelines.

Stakeholders Relationship Committee of the Board

Pursuant to Regulation 20 of the SEBI Listing Obligations and Disclosure Requirements (LODR) Regulations, 2015 of SEBI, the Stakeholders Relationship Committee ("**SRC**") (earlier known as Shareholders'/Investors' Grievance Committee of the Board) was formed on January 30, 2001 to look into shareholders' and investors' complaints regarding such issues as transfer of shares, non-receipt of an annual report, and non-receipt of interest on bonds or declared dividends. The Committee was last reconstituted on September 19, 2018.

Composition of the Committee

The Committee has seven members as of the date of this Offering Memorandum:

- **Dr. Pushpendra Rai** - Non-official Director - Chairman of the Committee;

- **Shri. Sanjiv Malhotra** - Non-official Director

- **Dr. Girish Ahuja** - Non-official Director

- **Dr. Purnima Gupta** - Non-official Director

- **Shri B Venugopal** - Non-official Director

- Managing Director - Retail & Digital Banking - (Ex-officio)

- Managing Director - Stress Asset, Risk & Compliance - (Ex-officio)

The SRC held four meetings between April 1, 2017 and March 31, 2018 and two meetings between April 1, 2018 and September 30, 2018.

Risk Management Committee of the Board

The Central Board approved the constitution of the Risk Management Committee of the Board ("**RMCB**") on March 23, 2004, to oversee the policy and strategy for integrated risk management relating to credit risk, market risk and operational risk. The Committee was last reconstituted on September 19, 2018.

Composition of the Committee

The Committee has seven members as of the date of this Offering Memorandum:

- **Shri. Sanjiv Malhotra -** Non-official Director - Chairman of the Committee;
- **Dr. Pushpendra Rai** - Non-official Director
- **Shri. Bhaskar Pramanik -** Non-official Director
- **Shri. Basant Seth** - Non-official Director
- **Shri B Venugopal -** Non-official Director
- Managing Director - Retail & Digital Banking - (Ex-officio)
- Managing Director - Stress Asset, Risk & Compliance - (Ex-officio)

The RMCB meets a minimum of four times a year, once in each quarter. The RMCB held four meetings between April 1, 2017 and March 31, 2018 and two meetings between April 1, 2018 and September 30, 2018.

Special Committee of the Board for Monitoring of Large Value Frauds

The Special Committee for monitoring of Large Value Frauds was constituted on March 29, 2004. The major functions of the Committee are to monitor and review all large value frauds with a view to identifying systemic lacunae, if any, reasons for delay in detection and reporting, if any, and to monitor progress of Central Bureau of Investigation or police investigations, recovery positions, to ensure that staff accountability exercises are completed quickly, to review the efficacy of remedial action taken to prevent recurrence of frauds and to put in place suitable preventive measures. The Committee was last reconstituted on September 19, 2018.

Composition of the Committee

The Committee has eight members as of the date of this Offering Memorandum:

- **Shri. Basant Seth -** Non-official Director - Chairman of the Committee;
- **Shri. Bhaskar Pramanik -** Non-official Director
- **Dr. Girish Ahuja** - Non-official Director
- **Shri. B Venugopal** - Non-official Director
- **Shri Sanjiv Malhotra -** Non-official Director
- **Dr. Pushpendra Rai -** Non-official Director
- Managing Director - Retail & Digital Banking - (Ex-officio)
- Managing Director - Stress Asset, Risk & Compliance - (Ex-officio)

The Committee met for four times between April 1, 2017 and March 31, 2018 and twice between April 1, 2018 and September 30, 2018.

Customer Service Committee of the Board

The Customer Service Committee of the Board was constituted on August 26, 2004, to effect continuous improvement in the quality of the Bank's customer service. The committee was last reconstituted on September 19, 2018.

Composition of the Committee

The Committee has eight members as of the date of this Offering Memorandum:

- **Dr. Pushpendra Rai -** Non-official Director - Chairman of the Committee
- **Shri Sanjiv Malhotra -** Non-official Director
- **Dr. Girish Ahuja** - Non-official Director
- **Shri. Bhaskar Pramanik -** Non-official Director
- **Shri. Basant Seth -** Non-official Director
- **Dr. Purnima Gupta -** Non-official Director
- Managing Director - Retail & Digital Banking - (Ex-officio)
- Managing Director - Commercial Clients Group & IT - (Ex-officio)

The Committee met for four times between April 1, 2017 and March 31, 2018 and twice between April 1, 2018 and September 30, 2018.

IT Strategy Committee of the Board

The IT Strategy Committee of the Board was constituted on August 26, 2004, to track the progress of the Bank's IT initiatives. The Committee was last reconstituted on September 19, 2018. The Committee has played a strategic role in the Bank's technology development. The Committee is entrusted with the following roles and responsibilities:

- approving IT strategy and policy documents, ensuring that the management has put an effective strategic planning process in place;
- ensuring that the IT organizational structure complements the business model and its direction;
- ensuring IT investments represents a balance of risks and benefits and that budgets are acceptable;
- ensuring proper balance of IT investments for sustaining the Bank's growth;
- increasing awareness of exposure to IT risks, controlling and evaluating effectiveness of IT risk monitoring management and overseeing the aggregate funding of IT at the Bank level; and
- reviewing IT performance metrics and IT contributions to businesses (i.e. delivering the promised value).

Composition of the Committee

The Committee has seven members as of the date of this Offering Memorandum:

- **Shri. Bhaskar Pramanik** - Non-official Director - Chairman of the Committee
- **Shri Sanjiv Malhotra** - Non-official Director
- **Dr. Pushpendra Rai** - Non-official Director
- **Dr. Purnima Gupta** - Non-official Director
- **Shri B Venugopal** - Non-official Director
- Managing Director - Commercial Clients Group & IT - (Ex-officio)
- Managing Director - Stress Asset, Risk & Compliance - (Ex-officio)

The Committee met six times between April 1, 2017 and March 31, 2018 and two times between April 1, 2018 and September 30, 2018.

Remuneration Committee of the Board ("RCB")

The RCB was constituted on March 22, 2007, for evaluating the payment of incentives in relation to the performance of Whole Time Directors of the Bank, in accordance with the Government scheme dated March 9, 2007. The Committee was last reconstituted on September 19, 2018. The Committee scrutinizes and recommends the payment of various incentives to the Whole Time Directors of the Bank.

The Committee has four members:

- **Shri. Rajiv Kumar** - Director appointed under section 19(e) of the SBI Act (GOI Nominee)
- **Shri. Chandan Sinha** - Director appointed under section 19(f) of the SBI Act (RBI Nominee)
- **Shri Basant Seth -** Non-official Director
- **Dr. Girish Ahuja -** Non-official Director

As of the date of this Offering Memorandum, the Committee has four members consisting of (i) Shri. Rajiv Kumar (Government nominee Director), (ii) Shri. Chandan Sinha (RBI nominee Director), (iii) Shri. Basant Seth (Independent Director) and (iv) Dr. Girish K.Ahuja (Independent Director). The Committee scrutinizes and recommends the payment of various incentives to the Whole Time Directors of the Bank.

Board Committee to Monitor Recovery

Pursuant to Government advice, the Board Committee to Monitor Recovery ("**BCMR**") was constituted by the Central Board at its meeting held on December 20, 2012 to oversee the recovery of loans and advances. The Committee was last reconstituted on September 19, 2018.

Composition of the Committee

The Committee has six members as of the date of this Offering Memorandum:

- Chairman - (Ex-officio) - Chairman of the Committee

- **Shri. Rajiv Kumar** - Director appointed under section 19(e) of the SBI Act (GOI Nominee)
- Managing Director - Retail & Digital Banking - (Ex-officio)
- Managing Director - Global Banking & Subsidiaries - (Ex-officio)
- Managing Director - Commercial Clients Group & IT - (Ex-officio)
- Managing Director - Stress Asset, Risk & Compliance - (Ex-officio)

The Committee met five times between April 1, 2017 and March 31, 2018 and twice between April 2018 and September 30 2018.

Corporate Social Responsibility Committee of the Board ("CSRC")

The CSRC was constituted on September 24, 2014 to facilitate good corporate governance and to review the Bank's activities under its corporate social responsibility policy. The Committee was last reconstituted on March 21, 2018.

Composition of the Committee

The Committee has eight members as of the date of this Offering Memorandum:

- Managing Director - Retail & Digital Banking - (Ex-officio) - Chairman of the Committee
- Managing Director — Global Banking Subsidiaries (Ex-Officio)
- **Shri Sanjiv Malhotra** - Non-official Director
- **Dr. Pushpendra Rai** - Non-official Director
- **Shri. Bhaskar Pramanik** - Non-official Director
- **Shri. Basant Seth** - Non-official Director
- **Dr. Purnima Gupta** - Non-official Director
- **Shri. B Venugopal** — Non-official Director

The Committee met four times between April 1, 2017 and March 31, 2018 and twice between April 2018 and September 30, 2018.

Committee to review the Identification of Willful Defaulters/Non-Cooperative Borrowers

The committee was constituted by the Central Board in accordance with the terms of various RBI instructions. The Managing Director — Stress Asset, Risk & Compliance is the Chairman of this Committee and its members comprise two independent Directors. The role of this Committee is to review the Order of "the Committee for the Identification of Wilful Defaulters/Non-co-operative Borrowers" (a committee comprising the Managing Director and Senior Executives of the Bank to examine the facts and to record the fact of the Borrowers being Wilful Defaulters/Non-co-operative Borrowers) and confirm the same for the Order to be considered final willful defaulters and non-cooperative borrowers of the Bank. The Committee was last reconstituted on September 19, 2018. The committee met four times during the period of April 1, 2017 to March 31, 2018 and three times between April 1, 2018 and September 30, 2018.

Nomination Committee of the Board

In accordance with the RBI guidelines, the Bank constitutes a Nomination Committee comprising three independent Directors, as and when required, to carry out necessary due diligence on candidates filing nominations for election to the position of Directors. The Committee was last reconstituted on September 19, 2018.

Compensation for Executives and the Board

Sitting fees are paid to the members of the Board as per schedule decided by the Government. As of September 30, 2018, sitting fee payable for attending Central Board meeting is Rs. 20,000/- per meeting and for other board-level committees, it is Rs. 10,000/- per meeting. Sitting fees are, however, not paid to the Chairman and Managing Directors of the Bank and Nominee Director of the Government of India.

Appointment and Remuneration of the Chairman, Managing Director & Other Directors

The Chairman and Managing Director(s) of the Bank are appointed by the Government, in consultation with the RBI. Their salaries are determined by the Government. Additionally, seven directors are nominated or appointed by the Government and one director is nominated by the Government on the recommendation of the RBI. A maximum of four directors can be appointed by shareholders, subject to the amount of their shareholdings. The RBI may also appoint one or more additional directors in the interest of banking policy, the public interest, the interest of the Bank or the interest of the Bank's depositors. Such additional directors are not taken into account for the purpose of calculating any proportion of the total number of directors of the Bank. The directors are paid fees and allowances for attending the meetings of the Central Board or of any board committees and for attending to any other work of the Bank as may be prescribed.

Shareholdings of Directors of the Central Board

The following table sets out information relating to the ownership of share capital by Directors of the Bank as of the date of this Offering Memorandum:

Name	Number of Shares held
Shri. Rajnish Kumar	Nil
Shri. P. K. Gupta	4,900
Shri. Dinesh Khara	3,100
Shri. Arijit Basu	710
Smt Anshula Kant	2,000
Shri. Sanjiv Malhotra	8,800
Shri. Bhaskar Pramanik	15,000
Shri. Basant Seth	5,000
Shri. B Venugopal	5,000
Dr. Girish K. Ahuja	2,000
Dr. Pushpendra Rai	Nil
Dr. Purnima Gupta	Nil
Shri. Chandan Sinha	500

Distribution of Shareholdings

The following table sets forth information relating to the distribution of the Bank's shareholdings as of the date of this Offering Memorandum:

Shareholder	% of Shares
President of India	57.70
Non-residents (Flls/OCBs/NRIs/GDRs)	11.66
State Governments/Financial Institutions including Insurance Companies/Banks	11.29
Mutual Funds/Government Companies/UTI	12.17
Domestic Companies/Pvt. Corporate Bodies/Trusts	1.88
Others including resident individuals	5.30
Total	**100.00**

OVERVIEW OF THE INDIAN FINANCIAL SECTOR

The information presented in this section has been extracted from publicly available documents from various sources, including officially prepared materials from the Government and its various ministries, the RBI and the Indian Banks Association, and has not been prepared or independently verified by the Bank, the Arrangers, the Dealers, the Trustee or any of their affiliates or advisers.

Introduction

The RBI, the central banking and monetary authority of India, is the central regulatory and supervisory authority for Indian banks and non-banking finance companies. A variety of financial intermediaries in the public and private sectors participate in India's financial sector, including the following:

- commercial banks;
- small banks and payment banks
- long-term lending institutions;
- non-banking financial companies, including housing finance companies;
- other specialized financial institutions and state-level financial institutions;
- insurance companies; and
- mutual funds.

Until the 1990s, the Indian financial system was strictly controlled. Interest rates were administered by the Government. Formal and informal parameters governed asset allocation and strict controls limited entry into and expansion within the financial sector. Bank profitability was low, NPAs were comparatively high, capital adequacy was diminished and operational flexibility was hindered. The Government's economic reform programme, which began in 1991, encompassed the financial sector. The first phase of the reform process began with the implementation of the recommendations of the Committee on the Financial System, namely the Narasimham Committee I. Following that, reports were submitted in 1997 and 1998 by other committees, such as the second Committee on Banking Sector Reform, namely the Narasimham Committee II, and the Tarapore Committee on Capital Account Convertibility. This, in turn, led to the second phase of reforms relating to capital adequacy requirements, asset classification and provisioning, risk management and merger policies. The deregulation of interest rates, the emergence of a liberalized domestic capital market and the entry of new private sector banks have progressively intensified the competition among banks. Banks in India may be categorized as scheduled banks and non-scheduled banks, where the former are banks which are included in the second schedule to the RBI Act as amended. These banks comprise scheduled commercial banks and scheduled cooperative banks.

This discussion presents an overview of the role and activities of the RBI and of each of the major participants in the Indian financial system, with a focus on commercial banks. This is followed by a brief summary of the banking reform process along with the recommendations of various committees that have played a key role in the reform process. A brief discussion on the impact of the liberalization process on long-term lending institutions and commercial banks is then presented. Finally, reforms in the non-banking financial sector are briefly reviewed.

The Reserve Bank of India

The Reserve Bank of India, established on April 1, 1935 in accordance with the provisions of the Reserve Bank of India Act, 1934, is the central banking and monetary authority in India. Though originally privately owned, since nationalization in 1949, the Reserve Bank is fully owned by the Government of India. The RBI manages the country's money supply and foreign exchange and also serves as a bank for the Government and for the country's commercial banks. In addition to these traditional central banking roles, the RBI undertakes certain developmental and promotional roles.

The RBI issues guidelines on exposure limits, income recognition, asset classification, provisioning for non-performing and restructured assets, investment valuation and capital adequacy for commercial banks, long-term lending institutions and non-banking financial companies. The RBI requires these institutions to furnish information relating to their businesses to it on a regular basis.

Commercial Banks

Commercial banks in India have traditionally focused on meeting the short-term financial needs of primary, secondary & tertiary sector. In recent years they have also focused on increasing long-term financing to sectors like infrastructure. As of September 30, 2018, there were 149 scheduled commercial banks in the country, including 56 regional rural banks ("**RRBs**"). Scheduled commercial banks are banks that are listed in the 2nd schedule to the Reserve Bank of India Act, 1934 (the "**RBI Act**") and are further categorized as public sector banks, private sector banks and foreign banks. Scheduled commercial banks have a presence throughout India with a network of 149,447 branches, and approximately 61.3% of these branches were located in rural or semi-urban areas of the country as of June 30, 2018. A large number of these branches belong to the public sector banks.

Public Sector Banks

Public sector banks make up the largest category in the Indian banking system. They include the State Bank of India, 19 nationalized banks and 56 regional rural banks. Excluding the regional rural banks, the remaining public sector banks have 95,386 branches, and accounted for 61.73% of the outstanding gross bank credit and 66.88% of the aggregate deposits of scheduled commercial banks at June 30, 2018. The State Bank of India is the largest bank in India in terms of total assets. In one of the largest consolidations in the Indian banking industry, the State Bank of India merged the five of its associate banks (State Bank of Patiala, State Bank of Bikaner and Jaipur, State Bank of Raipur, State Bank of Travancore, State Bank of Hyderabad and Bhartiya Mahila Bank) into the Bank.

Regional rural banks were established from 1976 to 1987 by the central government, state governments and sponsoring commercial banks jointly with a view to develop the rural economy. Regional rural banks provide credit to small farmers, artisans, small entrepreneurs and agricultural laborers. The National Bank for Agriculture and Rural Development is responsible for supervising the functions of the regional rural banks. As of June 30, 2018, there were 56 regional rural banks and they had 22,083 branches, and accounted for 3.35% of aggregate deposits and 2.93% of gross bank credit outstanding of scheduled commercial banks.

Private Sector Banks

Most large banks in India were nationalized in 1969, resulting in public sector banks making up the largest portion of Indian banking. The Government's focus on public sector banks was maintained throughout the 1970s and 1980s. In addition, existing private sector banks that showed signs of an eventual default were merged with state-owned banks. In July 1993, as part of the banking reform process and as a measure to induce competition in the banking sector, the RBI permitted entry of the private sector into the banking system. This resulted in the introduction of private sector banks. These banks are collectively known as the "new" private sector banks. As of March 31, 2018 there were a total of 22 private banks. The Sangli Bank Limited, an unlisted "old" private sector bank merged, with

ICICI Bank with effect from April 19, 2007. The Centurion Bank of Punjab merged with HDFC Bank in May 2008. The Bank of Rajasthan Limited, an "old" private sector bank, merged with ICICI Bank with effect from the close of business on August 12, 2010. On April 1, 2015, the RBI approved the merger of Kotak Mahindra Bank and ING Vysya Bank.

As at June 30, 2018, private sector banks, including the small finance banks, accounted for approximately 25.91% of aggregate deposits and 30.48% of gross bank credit outstanding of the scheduled commercial banks. Their network of 29,520 branches accounted for 19.69% of the total branch network of scheduled commercial banks in the country.

In February 2013, the RBI issued guidelines on the entry of "new" private sector banks into the banking industry, specifying that select entities or groups in the private sector, entities in the public sector or non-banking financial companies with a successful track record of at least ten years and not receiving over 10% of income from real estate, construction and/or broking activities are eligible to promote banks. The initial minimum capital requirement for these entities is Rs. 5.0 billion, with foreign shareholding not exceeding 49.0% for the first five years, and the new banks could be set up only through a wholly owned non-operative financial holding company registered with the RBI. The business plan for the bank should cover a realistic plan for achieving financial inclusion.

The RBI also issued guidelines in November 2014 on the entry of "Small Finance Banks" and "Payments Banks" into the private sector in the banking industry, including the eligibility criteria, structure, capital requirements, shareholding structure and corporate governance practices applicable to such proposed entities. During fiscal year 2016, the RBI issued new bank licenses to "Small Finance Banks" and "Payments Banks" in the private sector, which, apart from providing an impetus to financial inclusion, is expected to intensify competition in the banking sector in the medium term. As of March 31, 2017, two entities had functioning payment banks and four entities had approvals from the RBI for the setting-up of payment banks. In addition, six entities had a functioning small finance bank and one entity had approval to set up a small finance bank.

Foreign Banks

As of June 30, 2018, there are 45 foreign banks operating in India with a combined total of 299 branches. Foreign banks accounted for 4.19% of aggregate deposits and 4.44% of outstanding gross bank credit of scheduled commercial banks. In 2009, as part of the liberalization process that accompanied the second phase of the reform process that began in 2005, the RBI began permitting foreign banks to operate more freely, subject to requirements largely similar to those imposed on domestic banks. The primary activity of most foreign banks in India has been in the corporate segment. However, some of the larger foreign banks have made retail banking a significant part of their portfolios. Most foreign banks operate in India through branches of the parent bank. Certain foreign banks also have wholly owned non-banking financial company subsidiaries or joint ventures for both corporate and retail lending. In 2004, the RBI stipulated that banks, including foreign banks operating in India, should not acquire any fresh stake in another bank's equity shares if, by such acquisition, the investing bank's holding would exceed 5.0% of the investee bank's equity capital.

In February 2005, the Government and the RBI released the "Roadmap for Presence of Foreign Banks in India", which laid out a two-track, gradual approach aimed at increasing the efficiency and stability of the banking sector in India. The first track was the consolidation of the domestic banking system, both in the private and public sectors; the second track was the gradual enhancement of the presence of foreign banks in a synchronized manner. The roadmap was divided into two phases, the first phase spanning the period from March 2005 to March 2009, and the second phase beginning in April 2009. However, the second phase was delayed due to the global financial crisis in 2009. In January 2011, the RBI released a draft discussion paper on the mode of presence of foreign banks in India. The paper indicates a preference for a wholly owned subsidiary model of presence over a branch model.

Based on the comments received, the RBI in its annual policy statement for fiscal year 2012 stated that it was in the process of framing comprehensive guidelines in this regard. On July 20, 2012, the RBI revised priority sector lending guidelines for foreign banks. The RBI now requires foreign banks with 20 or more branches to achieve the same priority sector lending targets as domestic banks within the five-year period commencing on April 1, 2013. All other foreign banks will continue to be subject to the existing overall target of 32.0%.

On November 6, 2013, the RBI issued a framework for the establishment of wholly owned subsidiaries ("**WOS**") by foreign banks in India. The framework requires that foreign banks must establish a WOS to operate in India if they (i) have complicated holding structures, (ii) do not provide adequate disclosure in their home jurisdiction or (iii) are from jurisdictions that give a preferential claim to depositors of its home country in a winding-up proceeding. Banks not fitting these criteria may operate as either a branch or a WOS. The framework does not require existing foreign banks (which established a presence in India before August 31, 2010) to convert into a WOS. However, foreign banks are incentivized to convert into a WOS because the regulatory regime for a WOS is similar to that for local banks. For example, a foreign bank WOS would benefit from policies such as the lifting of nearly all branch expansion restrictions. However, foreign banks converting into a WOS would have to abide by the RBI's 40% priority sector lending requirement and increase their involvement in the financing of sectors such as agriculture and small-scale industries, following an adequate transition period.

Co-operative Banks

Cooperative banks cater to the financing needs of agriculture, small industry and self-employed businessmen in urban and semi-urban areas of India. The state land development banks and the primary land development banks provide long-term credit for agriculture. In response to liquidity and insolvency problems experienced by some cooperative banks in fiscal year 2001, the RBI undertook several interim measures, pending formal legislative changes, including measures relating to lending against shares, borrowing in the call market and term deposits placed with other urban cooperative banks. Currently, the RBI is responsible for the supervision and regulation of urban cooperative banks, and NABARD for state co-operative banks and district central cooperative banks..

In its annual policy statement for fiscal year 2010, the RBI proposed expanding the area of operation of Tier II urban cooperative banks in Grade I to the entire state of registration with the prior approval of the RBI. It also proposed reviewing the existing instructions and issuing appropriate guidelines to urban cooperative banks on internal controls, risk management systems, asset liability management and disclosure norms and applying a capital charge for market risks in respect of large-sized and systemically important urban cooperative banks with effect from April 1, 2010. Urban cooperative banks that fulfil certain eligibility criteria are allowed direct access to the negotiated dealing system order matching, subject to obtaining prior approval from the RBI. This helps deepen the bond market by increasing the number of participants.

Long-Term Lending Institutions

The long-term lending institutions were established to provide medium-term and long-term financial assistance to various industries for setting up new projects and for the expansion and modernization of existing facilities. These institutions provided fund-based and non-fund-based assistance to industry in the form of loans, underwriting, direct subscription to shares, debentures and guarantees. The primary long-term lending institutions included Industrial Development Bank of India (now IDBI Bank), IFCI Limited, the Industrial Investment Bank of India and ICICI prior to its amalgamation with ICICI Bank Limited.

The long-term lending institutions were expected to play a critical role in Indian industrial growth and, accordingly, had access to concessional Government funding. However, in recent years, the operating environment of the long-term lending institutions has changed substantially. Although the initial role of these institutions was largely limited to providing a channel for Government funding to industry, the reform process required such institutions to expand the scope of their business activities, including into:

- fee-based activities such as investment banking and advisory services; and

- short-term lending activity, including making corporate finance and working capital loans.

Pursuant to the recommendations of the Narasimham Committee II and the Khan Working Group in 1998, a working group was created in 1999 to harmonize the role and operations of long-term lending institutions and banks. The RBI, in its mid-term review of monetary and credit policy for fiscal year 2000, announced that long-term lending institutions would have the option of transforming themselves into banks subject to compliance with the prudential norms applicable to banks.

Several mergers resulted from this reform effort. In April 2002, ICICI merged with ICICI Bank. The Industrial Development Bank (Transfer of Undertaking and Repeal) Act, 2003 converted the Industrial Development Bank of India into a banking company incorporated under the Companies Act, 1956 on September 27, 2004, with exemptions from certain statutory and regulatory norms applicable to banks, including an exemption for a certain period of time from the statutory liquidity ratio. IDBI Bank Limited, a public sector bank that was a subsidiary of the Industrial Development Bank of India, was merged with the Industrial Development Bank of India in April 2005. The long-term funding needs of Indian companies are now primarily met by banks, Life Insurance Corporation of India and specialized non-banking financial companies such as Infrastructure Development Finance Corporation. Indian banking companies also make bond issuances to institutional and retail investors.

Non-Banking Financial Companies

There are approximately 10,357 non-banking financial companies in India as of June 30, 2018, mostly in the private sector. All non-banking financial companies are required to register with the RBI. These non-banking financial companies may be categorized into entities which take public deposits and those which do not. The companies which take public deposits are subject to strict supervision and the capital adequacy requirements of the RBI. The RBI classifies non-banking financial companies into three categories: asset finance companies, loan companies and investment companies. In February 2010, the RBI introduced a fourth category of non-banking financial companies, called infrastructure finance companies and followed up in December 2011 with the announcement of a separate category of non-banking financial companies called microfinance institutions. The primary activities of the non-banking financial companies include: providing consumer credit, which include automobile finance, home finance and consumer durable products finance; wholesale finance products such as bill discounting for small and medium companies and infrastructure finance, and fee-based services such as investment banking and underwriting. In 2003, Kotak Mahindra Finance Limited, a large non-banking financial company, was granted a banking license by the RBI and converted itself into Kotak Mahindra Bank.

During fiscal year 2006, the RBI issued guidelines on the financial regulation of systemically important non-banking financial companies and banks' relationships with them with a view to removing the possibility of regulatory arbitrage leading to an uneven playing field and potential systemic risk.

Within non-deposit taking non-banking financial companies, the guidelines classify those with an asset size above Rs. 1.0 billion as per the last audited balance sheet as systemically important. These non-banking financial companies were required to maintain a minimum capital to risk-weighted assets ratio of 10.0%, in addition to conforming to single and group exposure norms. In August 2008, the RBI issued draft guidelines covering non-deposit taking non-banking financial companies. It was proposed that non-deposit taking non-banking financial companies with an asset size of Rs. 1.0 billion and above would have to maintain a capital to risk-weighted assets ratio of 12.0% instead of the current minimum of 10.0%. The capital adequacy ratio was proposed to be increased to 15.0% from April 2009. In its 2009 annual policy statement, the RBI deferred the implementation of the capital to risk-weighted assets ratio of 12.0% requirement to March 31, 2010 and of 15.0% to March 31, 2011. In February 2011, the RBI issued guidelines mandating deposit taking non-banking financial companies to maintain a capital to risk-weighted assets ratio of 15.0% against the current minimum of 12.0%.

With the purpose of enhancing the flow of funds to infrastructure projects, the RBI issued guidelines in November 2011 for the establishment of infrastructure debt funds. An infrastructure debt fund may be set up either as a trust or as a company. A trust-based infrastructure debt fund would be a mutual fund which would be regulated by SEBI, while a company-based infrastructure debt fund would be a non-banking financial company which would be regulated by the RBI. All non-banking financial companies, including infrastructure finance companies, may sponsor infrastructure debt funds set up as mutual funds. However, only infrastructure finance companies can sponsor infrastructure debt funds set up as non-banking financial companies. Banks are allowed to sponsor infrastructure debt funds in the form of mutual funds and non-banking financial companies with investments by the bank not exceeding 10.0% of the bank's paid-up capital. In August 2011, the RBI released a working group report on issues and concerns in the non-banking financial companies sector. Some key recommendations of the report included a minimum asset size of Rs. 500.0 million with a minimum net owned fund of Rs. 20.0 million for registering as a non-banking financial company, a minimum Tier I capital of 12.0% to be achieved in three years, the introduction of liquidity ratios, more stringent asset classification norms and provisioning norms, and limits on exposure to real estate. In December 2012, the RBI issued draft guidelines on the regulatory framework for non-banking financial companies based on the recommendations of the working group. The guidelines relate to entry norms, principal business criteria, prudential regulations, liquidity requirements and corporate governance of non-banking financial companies.

On April 1, 2014, the RBI temporarily suspended, for a period of one year, the issue of certificates of registration to companies proposing to conduct the business of non-banking financial institution (**"NBFI"**) under the terms of Section 45IA of the RBI Act. The report submitted by the Committee on Comprehensive Financial Services for Small Businesses and Low Income Households made several recommendations pertaining to NBFCs. In view of the recommendation, the RBI felt the need to review the regulatory framework and streamline the sector before allowing more entities into the sector.

On November 10, 2014, the RBI revised the regulatory framework for NBFCs by raising the capital adequacy requirement and the net owned fund limit, among others, with an objective to mitigating risks in the sector and revoked, with immediate effect, its temporary suspension on issuance of a Certificate of Registration to companies proposing to conduct the business of a NBFI. The minimum Tier I capital requirement for non-deposit taking NBFC having an asset size of Rs. 5,000.0 million and above and all deposit taking NBFCs was raised to 10.0% from 7.5% in a gradual manner (8.5% by the end of March 2016 and nil% by the end of March 2017). The net owned fund requirement would be required to be raised in a phased manner from Rs. 2.5 million to Rs. 10 million by March 2016, and then further to Rs. 20 million by 2017.

The RBI circular on "Systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions" dated July 1, 2016 and the master direction "Non-Banking Financial Company — Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016" dated September 1, 2016 states that the minimum capital ratio consisting of Tier I and Tier II capital shall not be less than 15% of its aggregated risk-weighted assets on-balance sheet and of risk adjusted value of off-balance sheet items. The total of Tier I capital, at any time, shall not be less than 8.5% as of March 31, 2016 and 10% as of March 31, 2017.

Housing Finance Companies

Housing finance companies form a distinct sub-group of non-banking financial companies. As a result of the various incentives given by the Government for investing in the housing sector in recent years, the scope of this business has grown substantially. Housing Development Finance Corporation Limited is a leading provider of housing finance in India. In recent years, several other players, including banks, have entered the housing finance industry. The National Housing Bank and Housing and Urban Development Corporation Limited are the two major financial institutions instituted through acts of Parliament to improve the availability of housing finance in India. The National Housing Bank Act provides for securitization of housing loans, foreclosure of mortgages and setting-up of the Mortgage Credit Guarantee Scheme.

In August 2013, the IRDA relaxed the investment regulations of housing finance companies (**HFCs**), as specified in the IRDA (Investment) Regulations, 2000, as follows:

- investments in debt instruments issued by the HFCs as specified in the Investment Regulations shall be treated as exposure to the housing sector instead of exposure to "Financial and Insurance Activities"; and

- the single investee debt exposure limits in the HFCs was increased to 20% of equity plus free reserves from the existing 10%. limit, with a further option of an increase by an additional 5% on the 20% limit, with prior approval from the board of the company.

Other Financial Institutions

Specialized Financial Institutions

In addition to the long-term lending institutions, there are various specialized financial institutions which cater to the specific needs of different sectors. These include NABARD, Export Import Bank of India, Small Industries Development Bank of India, Risk Capital and Technology Finance Corporation Limited, Tourism Finance Corporation of India Limited, National Housing Bank, Power Finance Corporation Limited, Infrastructure Development Finance Corporation Limited, Industrial Investment Bank of India, North Eastern Development Finance Corporation and India Infrastructure Finance Company.

State-level Financial Institutions

State financial corporations operate at the state level and form an integral part of the institutional financing system. State financial corporations were set up to finance and promote SMEs. The state financial institutions are expected to achieve balanced regional socio-economic growth by generating employment opportunities and widening the ownership base of industry. At the state level, there are also state industrial development corporations, which provide finance primarily to medium-sized and large enterprises.

Insurance Companies

As on 28 November 2018, there are 60 insurers operating in India; of which 24 are life insurers, 34 are general insurers and two are re-insurance companies. Of the 24 life insurance companies, 23 are in the private sector and one is in the public sector. Among the general insurance companies, 26 are in the private sector and seven are in the public sector. The reinsurance company General Insurance Corporation of India is in the public sector and ITI Reinsurance Limited is in the private sector. Life Insurance Corporation of India, General Insurance Corporation of India and public sector general insurance companies also provide long-term financial assistance to the industrial sector. The insurance sector in India is regulated by the Insurance Regulatory and Development Authority (**"IRDAI"**). In December 1999, the Indian Parliament passed the Insurance Regulatory and Development Authority Act, 1999, which amended the Insurance Act, 1938 and opened up the Indian insurance sector for foreign and private investors. The Insurance Act allows foreign equity participation in new insurance companies of up to 26.0%. A new company should have minimum paid-up equity capital of Rs. 1.0 billion to carry on the business of life insurance or general insurance or Rs. 2.0 billion to carry on exclusively the business of re-insurance.

In its monetary and credit policy for fiscal year 2001, the RBI issued guidelines governing the entry of banks and financial institutions into the insurance business. The guidelines permit banks and financial institutions to enter the business of insurance underwriting through joint ventures provided they meet stipulated criteria relating to their net worth, capital adequacy ratios, profitability track record, level of non-performing loans and the performance of their existing subsidiary companies. The promoters of insurance companies have to divest in a phased manner their shareholding in excess of 26.0% (or such other percentage as may be prescribed) after a period of ten years from the date of commencement of business or within such period as may be prescribed by Government. In December 2014, the Indian government raised the limit on foreign equity participation in private sector insurance companies from 26.1% to 49.0%.

During fiscal year 2017, the total premiums there were underwritten by the life insurance sector increased by 14.04% year-on-year from Rs. 3,669 billion during fiscal year 2016 to Rs. 4,184 billion during fiscal year 2017. While private sector insurers posted a 17.40% growth for fiscal year 2017 against 13.64% in fiscal year 2016 in their premium income, LIC recorded 12.78% growth for fiscal year 2017 against a growth of 11.17% in fiscal year 2016. During 2017, the market share of private players increased from 27.39% in fiscal year 2016 to 28.19% in fiscal year 2017. While renewal premium accounted for 58.13% for fiscal year 2017 of the total premium received by the life insurers, first year premiums contributed the remaining 41.87%. LIC’s market share stood at 71.81% at the end of fiscal year 2017.

The financial inclusion initiatives of the government of India include providing insurance cover for people belonging to low-income or below poverty segments and are enrolled through the Government’s financial inclusion program. Under the Government’s *Pradhan Mantri Jeevan Jyoti Bima Yojana* life insurance scheme, life insurance cover and accident insurance cover of up to Rs. 200,000 each are provided to the beneficiaries at very low premiums. The government has also launched separate schemes for providing pension and insurance products to the wider population.

Mutual Funds

The mutual fund industry in India started in 1963 with the formation of Unit Trust of India at the initiative of the Government and the RBI. From 1963 to 1987, Unit Trust of India was the only mutual fund operating in India. From 1987 onwards, several other public sector mutual funds entered this sector. These mutual funds were established by public sector banks, LIC and General Insurance Corporation of India. The mutual funds industry was opened up to the private sector in 1993. The industry is regulated by the SEBI (Mutual Fund) Regulations, 1996. The AUM of the Indian MF Industry has grown from Rs. 4.05 trillion as of November 30, 2008 to Rs. 24.03 trillion as of November 30, 2018, which represents an approximate six fold increase in a span of a decade.

In June 2009, SEBI removed the entry load for all mutual fund schemes and directed that upfront commissions to distributors be paid directly by the investors. To enhance the reach and marketability of mutual fund schemes, in November 2009, SEBI permitted the use of stock exchange terminals to facilitate transactions in mutual fund schemes. As a result, mutual fund units can now be traded on recognized stock exchanges. In February 2010, SEBI introduced guidelines for the valuation of money market and debt securities with a view to ensuring that the value of the money market and debt securities in the portfolio of mutual funds schemes reflect the current market scenario. The valuation guidelines are effective from August 1, 2010. Further, the Union Budget for fiscal year 2014 allowed mutual fund distributors to become members of the mutual fund segment of stock exchanges to enable them to leverage the stock exchange network to improve the reach and distribution of mutual fund products.

Banking Sector Reform

Most large banks in India were nationalized in 1969 and thereafter were subject to a high degree of control until reform began in 1991. In addition to controlling interest rates and entry into the banking sector, these Government regulations also channeled lending into priority sectors. Banks were required to fund the public sector through the mandatory acquisition of low interest-bearing Government securities or SLR bonds to fulfil statutory liquidity requirements. As a result, bank profitability was low, non-performing assets were comparatively high, capital adequacy was diminished, and operational flexibility was hindered.

Committee on the Financial System (Narasimham Committee I)

The Committee on the Financial System ("**Narasimham Committee I**") was set up in August 1991 to recommend measures for reforming the financial sector. Many of the recommendations made by the committee, which addressed organizational issues, accounting practices and operating procedures, were implemented by the Government. The major recommendations that were implemented included the following:

- with fiscal stabilization and the Government increasingly resorting to market borrowing to raise resources, the SLR or the proportion of banks' net demand and time liabilities that was required to be invested in Government securities was reduced from 38.5% in the pre-reform period to 25.0% in October 1997. At the end of every business day, banks are required to maintain a minimum ratio of their Time liabilities (when the bank has to wait to redeem their liabilities) and Net Demand (when bank can withdraw money from these accounts immediately) in the form of liquid assets like gold, cash and government securities. The ratio of time liabilities and liquid assets in demand is called Statutory Liquidity Ratio or SLR. The maximum SLR that the RBI can set is 40% per annum. However, the current SLR is set at 19.5% p.a. The RBI currently requires banking companies to maintain a liquidity ratio of 19.50% with effect from October 4, 2017;

- similarly, the cash reserve ratio ("**CRR**") or the proportion of a bank's net demand and time liabilities that was required to be deposited with the RBI was reduced from 15.0%. in the pre-reform period to a low of 4.5%. The CRR effective from February 9, 2013 is 4.00% which is effective till date

- special tribunals were created to resolve bad debt problems;

- most of the restrictions on interest rates for deposits were removed. Commercial banks were allowed to set their own level of interest rates for all deposits except savings bank deposits. Subsequently, on October 25, 2011, the RBI deregulated the savings bank deposit rate, after which commercial banks were also allowed to determine their savings bank deposit rate; and

- substantial capital infusion to several state-owned banks was approved in order to bring their capital adequacy closer to internationally accepted standards. By the end of fiscal year 2002, aggregate re-capitalization amounted to Rs. 217.5 billion. Stronger public sector banks were given permission to issue equity to further increase capital.

Committee on Banking Sector Reform (Narasimham Committee II)

The second Committee on Banking Sector Reform ("**Narasimham Committee II**") submitted its report in April 1998. The major recommendations of the committee were in respect of capital adequacy requirements, asset classification and provisioning, risk management and merger policies. The RBI accepted and began implementing many of these recommendations in October 1998.

Banks have implemented new prudential accounting norms for the classification of assets, income recognition and loan loss provisioning. Following the Bank for International Settlements guidelines, capital adequacy norms have also been prescribed. To meet additional capital requirements, public sector banks have been allowed to access the market for funds. Interest rates have been deregulated, while the rate of directed lending has been progressively reduced.

Commercial Banking Trends

Credit

For the period ended September 30, 2018, the aggregate deposits have grown by 8.4% on an annual basis while bank credit has grown by 13.1%. As of September 30, 2018, public sector banks (including RRBs) accounted for the largest share of aggregate deposits and gross bank credit, followed by private sector banks As of September 30, 2018, the credit-deposit ratio for scheduled commercial banks stood at 76.4% as compared to 73.3% in the previous year

From September 30, 2017 to September 30, 2018, private sector banks and foreign banks indicated higher credit growth rates of 22.8% and 12.0%, respectively, as compared to 8.7% for public sector banks.

For fiscal year 2018, the growth in credit within the agricultural sector has slowed, compared to a year ago. This may indicate pressures within the agricultural sector, as corroborated by agriculture debt waivers announced in some states. A pick-up was witnessed across sectors such as textiles; vehicles, vehicle parts and transport equipment; engineering; food processing; and rubber, plastic and products. In contrast, credit to infrastructure, which accounted for about one-third of bank credit to industry, contracted in a broad-based manner (by 1.7% in March 2018), pulled down by power, telecommunications and roads. The modest signs of recovery in infrastructure as compared to the previous year's position suggest that the power sector could benefit from improved electricity supply following better availability of coal. The base metal segment remained distressed, despite the recovery in global metal prices. The recent revival in manufacturing activity has provided some boost to base metal prices. The steel segment has improved on the back of strong export demand and revival of domestic activity.

Interest rates and Inflation

As regards the price situation, inflation eased to its lowest level in the new consumer price index (**"CPI"**) series in June 2017, with food prices going into deflation. Thereafter, a confluence of domestic and global developments pushed inflation up — an unseasonal spike in the prices of vegetables during October-November 2017, disbursement of house rent allowance for central government employees under the 7th Central Pay Commission's award and firming up of global commodity prices. The delayed softening of food prices in Q4 brought relief as it got prolonged and in the event, the year ended with the lowest annual average inflation of 3.6% since 2012-13.

According to the RBI, November CPI inflation grew 2.3% year-on-year from 3.4% in October on account of higher non-food and core inflation but offset by lower food inflation. Continued contraction in the price of vegetables, cereals, sugar, oil and fats has led to an eleventh consecutive month of sequential decline in food inflation. Earlier, in response to increased inflation, RBI twice hiked repo rates by 25bps each in the current fiscal year 2018 in 2 consecutive by-monthly Monetary Policy Committee meetings, the repo rate is currently at 6.50%. The reverse repo rate has been pegged at 0.25% below the repo rate since April 6, 2017 and thus has followed a similar trend since that time.

Asset quality

The gross non-performing advances ("**GNPA**") ratio of scheduled commercial banks rose from 10.2% in September 2017 to 11.6% in March 2018. However, their net non performing advances ratio registered only a smaller increase during the period due to increase in provisioning. The GNPA ratio in the industry sector rose from 19.4% to 22.8% during the same period whereas stressed advances ratio increased from 23.9% to 24.8%. Within the banking industry, the stressed advances ratio of subsectors such as 'gems and jewellery', 'infrastructure', 'paper and paper products', 'cement and cement products' and 'engineering' registered an increase in March 2018 from their levels in September 2017. The asset quality of 'food processing', and 'textiles' sub-sectors improved during the same period. The provision coverage ratio increased across all bank groups in March 2018 from its level in September 2017. Among the bank groups, Foreign Banks had the highest provision coverage ratio (88.7%) followed by Private Sector Banks (51.0%) and Public Sector Banks (47.1%).

Income and profitability

The banking stability indicator showed that deteriorating profitability as well as asset quality pose elevated risks to the banking sector stability. Weak profitability of SCBs is a concern as low profits can prevent banks from building cushions against unexpected losses and make them vulnerable to adverse shocks. Median return on assets of SCBs came down further in March 2018. The share of net interest income in total operating income increased from 63.7% in 2016-17 to 65.2% in fiscal year 2018, but saw a decline to their other operating income declined. There are several structural issues resulting in low profitability of SCBs, including high loan loss provisions, debt overhang, increasing costs and declining revenues.

Recent Structural Reforms

Amendments to the Banking Regulation Act

In May 2017, the government of India issued an ordinance amending the Banking Regulation Act, 1949 which empowers the Reserve Bank of India to participate in the resolution of stressed assets. The Banking Regulation (Amendment) Ordinance, 2017 was promulgated on May 4, 2017. The Ordinance amended section 35A of the Banking Regulation Act, 1949 and inserted two new sections 35AA and 35AB. Through this amendment, the Reserve Bank of India is authorized to intervene and instruct banks to resolve specific stressed assets and initiate insolvency resolution process where required. The Reserve Bank of India is also empowered to issue other directions for resolution, and appoint or approve for appointment, authorities or committees to advise banking companies for resolution of stressed assets.

The Reserve Bank of India constituted an Internal Advisory Committee comprising its independent board members to advise on stressed accounts. On the recommendations of the Committee, in June 2017 the Reserve Bank of India issued directions to banks to file for resolution under the Insolvency and Bankruptcy Code with the National Company Law Tribunal in respect of 12 large stressed accounts. With respect to other identified stressed accounts, the banks are required to finalize a resolution plan within six months. In cases where a viable resolution plan is not agreed upon within six months, banks must be required to file for insolvency proceedings under the Insolvency and Bankruptcy Code. Further, in August 2017, the Reserve Bank of India identified an additional list of stressed accounts and directed banks to initiate insolvency resolution process under the provisions of the Insolvency and Bankruptcy Code by December 31, 2017 if a resolution plan where the residual debt is rated investment grade by two external credit rating agencies is not implemented by December 13, 2017. In December 2012, the Indian Parliament further amended the laws governing the banking sector by way of the Banking Laws (Amendment Act), 2012. This Act seeks to strengthen the regulatory powers of the RBI and to further develop the banking sector in India.

The main amendments are as follows:

- permit all private banking companies to issue preference shares that will not carry any voting rights, subject to RBI guidelines;

- make prior approval of the RBI mandatory for the acquisition of more than 5.00% of a banking company's paid-up capital or voting rights by any individual, firm or group, and empower the RBI to impose conditions while granting approval for such acquisitions;

- empower the RBI, after consultations with the Government, to supersede the board of a private sector bank for a total period not exceeding 12 months, during which time the RBI will have the power to appoint an administrator to manage the bank;

- give the RBI the right to inspect affiliates of enterprises or banking entities (affiliates include subsidiaries, holding companies or any joint ventures of banks); and

- restrict the maximum voting power exercisable by a shareholder in a private banking company to 26.00%. irrespective of its total shareholding and raise the ceiling for voting rights of shareholders of a nationalized bank from 1.00% to 10.00%.

The Banking Laws (Amendment) Act, 2012 was notified in January 2013.

Legislative Framework for Recovery of Debts due to Banks

In fiscal year 2003, the Indian Parliament passed the SARFAESI Act. The SARFAESI Act provides that a secured creditor may, in respect of loans classified as non-performing in accordance with RBI guidelines, give notice in writing to the borrower requiring it to discharge its liabilities within 60 days, failing which the secured creditor may take possession of the assets constituting the security for the loan and exercise management rights in relation thereto, including the right to sell or otherwise dispose of the assets. The SARFAESI Act also provides for the setting-up of asset reconstruction companies regulated by the RBI to acquire assets from banks and financial institutions. The RBI has issued guidelines for asset reconstruction companies in respect of their establishment, registration and licensing by the RBI, and operations. Asset Reconstruction Company (India) Limited, set up by the Industrial Development Bank of India, State Bank of India and certain other banks and institutions, received registration from the RBI and commenced operation in August 2003. Foreign direct investment is now permitted in the equity capital of asset reconstruction companies and investment in security receipts issued by asset reconstruction companies by foreign institutional investors registered with SEBI is permitted, subject to certain conditions and restrictions.

Several petitions challenging the constitutional validity of the SARFAESI Act were filed before the Indian Supreme Court. The Supreme Court, in April 2004, upheld the constitutionality of the SARFAESI Act, other than the requirement originally included in the Act that the borrower deposit 75.0%. of the dues with the debt recovery tribunal as a pre-condition for appeal by the borrower against the enforcement measures. In November 2004, the Government issued an ordinance amending the SARFAESI Act. The Indian Parliament has subsequently passed this ordinance as an Act. This Act, as amended, now provides that a borrower may make an objection or representation to a secured creditor after a notice is issued by the secured creditor to the borrower under the Act demanding payment of dues. The secured creditor must give reasons to the borrower for not accepting the objection or representation. The Act also introduces a deposit requirement for borrowers if they wish to appeal the decision of the debt recovery tribunal. Further, the Act permits a lender to take over the business of a borrower under the SARFAESI Act under certain circumstances (unlike the earlier provisions under which only assets could be taken over).

Earlier, following the recommendations of the Narasimham Committee, the Recovery of Debts Due to Banks and Financial Institutions Act, 1993 was enacted. This legislation provides for the establishment of a tribunal for speedy resolution of litigation and recovery of debts owed to banks or financial institutions. The Act created tribunals before which banks or financial institutions can file a suit for recovery of the amounts due to them. However, if a scheme of reconstruction is pending before the Board for Industrial and Financial Reconstruction, under the Sick Industrial Companies (Special Provision) Act, 1985, no proceeding for recovery can be initiated or continued before the tribunals. This protection from creditor action ceases if the secured creditor takes action under the SARFAESI Act. While presenting its budget for fiscal year 2002, the Government announced measures to set up additional debt recovery tribunals and the eventual repeal of the Sick Industrial Companies (Special Provision) Act, 1985. While the Indian Parliament has repealed this Act, the notification to make the repeal effective has not yet been issued.

The Central Registry of Securitization Asset Reconstruction and Security Interest of India, a Government company licensed under the Companies Act, has been incorporated to operate and maintain the "central registry" under the provisions of the SARFAESI Act. With the existence of a central registry, it would be very difficult for a borrower to raise loans twice against the same property, or to raise loans using forged documents, since the central registry holds details of all properties against which loans have been taken.

Framework for Recognition of Financial Distress

In February 2014, the RBI announced the "Framework for Revitalizing Distressed Assets in the Economy." The framework outlines a corrective action plan to incentivize the following:

- early identification of problem cases;
- timely restructuring of accounts to be viable;
- prompt steps for recovery or sale of unviable accounts;
- centralized reporting and dissemination of information on large credits;
- early formation of lenders committee, with timelines to agree to a plan for resolution in relation to distressed assets;
- better regulatory treatment of stressed assets if a resolution plan is underway;
- accelerated provision if no agreements can be reached;
- improvement in current restructuring process: independent evaluation of large-value restructuring mandated, with a focus on viable plans and a fair sharing of losses (and future possible upside) between promoters and creditors; and
- making future borrowing more expensive for borrowers who do not cooperate with lenders in resolution.

Prompt Corrective Action Framework

The Reserve Bank has specified certain regulatory trigger points, as a part of prompt corrective action Framework (**"PCA Framework"**), in terms of three parameters, i.e. capital to risk weighted assets ratio (CRAR), net non-performing assets and Return on Assets, for initiation of certain structured and discretionary actions in respect of banks hitting such trigger points. The PCA framework is applicable only to commercial banks and not extended to co-operative banks, non-banking financial companies and FMIs and would help to identify the banks which have stretched balance sheets by having some trigger points that help in assessing, monitoring, controlling and taking corrective actions. The salient features of PCA Framework for Banks are as below:

- Capital, asset quality and profitability are the key areas for monitoring in the revised framework
- Leverage would be monitored additionally as part of the PCA framework.
- Breach of any risk threshold (as detailed under) would result in invocation of PCA.
- A bank will be placed under PCA framework based on the audited Annual Financial Results and the Supervisory Assessment made by RBI. However, RBI may impose PCA on any bank during the course of a year (including migration from one threshold to another) in case the circumstances so warrant. PCA matrix - Areas, indicators and risk thresholds:

	Indicator	**Risk Threshold 1**	**Risk Threshold 2**	**Risk Threshold 3**
Area Capital	CRAR — Minimum regulatory prescription for capital to risk assets ratio + applicable buffer (CCB)	upto 250 bps below Indicator	more than 250 bps but not exceeding 400 bps below Indicator	In excess of 312.50 bps below Indicator
(Breach of either CRAR or CET 1 ratio to trigger PCA)	current minimum RBI prescription of 10.25% (9% minimum total capital plus 1.25%* of CCB as on March 31, 2017)	<10.25% but >=7.75%	<7.75% but >=6.25%	<3.625%
	And/ Or Regulatory pre-specified trigger of Common Equity Tier 1 (CET 1min) + applicable capital conservation buffer(CCB)	upto 162.50 bps below Indicator	more than 162.50 bps below but not exceeding 312.50 bps below Indicator	
Asset Quality	Net Non-performing advances (NNPA) ratio	>=6.0% but <9.0%	>=9.0% but <12.0%	>=12.0%
Profitability	Return on assets (ROA)	Negative ROA for two consecutive years	Negative ROA for three consecutive years	Negative ROA for four consecutive years
Leverage	Tier 1 Leverage ratio	<=4.0% but >=3.5% (leverage is over 25 times the Tier 1 capital)	< 3.5% (leverage is over 28.6 times the Tier 1 capital)	

The Insolvency and Bankruptcy Code (Amendment) Bill, 2017

The Insolvency and Bankruptcy Code (Amendment) Bill, 2017, was passed by the Lok Sabha on December 29, 2017, and by the Rajya Sabha on January 2, 2018. It replaces the IBC (Amendment) Bill, 2017, which was promulgated on November 23, 2017.

In the CIRP the Committee of Creditors (CoC) invites resolution plans from resolution applicants, and may select one of these plans. The Code originally does not specify any restrictions on who these resolution applicants might be. The Bill has declared that some persons are ineligible to submit resolution plans:

(i) an undischarged insolvent;

(ii) a "wilful defaulter";

(iii) a borrower whose account has been identified as a non-performing asset for over a year and who has not repaid the amount before submitting a plan;

(iv) a person convicted of an offence punishable with two or more years of imprisonment;

(v) a person disqualified as a director under the Companies Act, 2013;

(vi) a person prohibited from trading in securities;

(vii) a person who is the promoter or in the management of a company which has indulged in undervalued, preferential, or fraudulent transactions;

(viii) a person who has given guarantee on a liability of the defaulting company undergoing resolution or liquidation, and has not honored the guarantee;

(ix) a person who is subject to any of the above disabilities in any jurisdiction outside India; or

(x) a person who has a connected person disqualified in any manner above.

The thrust of the Bill is to prevent a range of undesirable persons from bidding for the debtor. The Bill may prevent promoters from bidding for their own firms. A resolution plan would typically involve significant haircuts on the parts of the financial and operational creditors. Thus, allowing a promoter to bid without restriction would mean countenancing a situation where an owner, having driven a firm into insolvency, is now able to purchase it back at a discount. This can lead to a situation of moral hazard, where incompetent or fraudulent promoters are effectively rewarded with the control of their company, leaving the creditors to write off their debts.

The Bill, thus, seeks to achieve a balanced approach, enabling the CoC to avoid imprudent transactions, while preserving its freedom to choose the best resolution plan from amongst all the applicants.

Universal Banking Guidelines

Universal banking in the Indian context means the transformation of long-term lending institutions into banks. Pursuant to the recommendations of the Narasimham Committee II and the Khan Working Group, the RBI, in its mid-term review of monetary and credit policy for fiscal year 2000, announced that long-term lending institutions would have the option of transforming themselves into banks subject to compliance with the prudential norms as applicable to banks. If a long-term lending institution chose to exercise the option available to it and formally decided to convert itself into a universal bank, it could formulate a plan for the transition path and a strategy for smooth conversion into a universal bank over a specified time frame. In May 2001, the RBI issued guidelines on several operational and regulatory issues which were required to be addressed in evolving the path for transition of a long-term lending institution into a universal bank.

Base Rate System

The benchmark prime lending (the "**BPLR**") system, introduced in 2003, fell short of its original objective of bringing transparency to lending rates. This was mainly because, under the BPLR system, banks could lend below the BPLR. For the same reason, it was also difficult to assess the transmission of policy rates of the RBI to lending rates of the bank. The base rate system replaced the BPLR with effect from July 1, 2010. The base rate system is aimed at enhancing transparency in lending rates of banks and enabling better assessment of transmission of monetary policy. Base rate includes all those elements of the lending rate that are common across all categories of borrowers. Banks may choose any benchmark to arrive at the base rate for a specific tenor that is required to be disclosed transparently. Banks are free to use any methodology in computing the base rate, provided it is consistent and is made available for supervisory review and scrutiny, as and when required.

Banks may determine their actual lending rates on loans and advances with reference to the base rate and by including such other customer specific charges as considered appropriate. In order to give banks some time to stabilize the system of base rate calculation, banks were permitted to change the benchmark and methodology until June 30, 2011.

On December 17, 2015, the RBI released the final guidelines on computing interest rates on advances based on the marginal cost of funds. The guidelines came into effect on April 1, 2016. Apart from helping improve the transmission of policy rates into the lending rates of banks, these measures are expected to improve transparency in the methodology followed by banks for determining interest rates on advances. The guidelines are also expected to ensure availability of bank credit at interest rates which are fair to the borrowers as well as the banks. Further, marginal cost pricing of loans will help the banks become more competitive and enhance their long-run value and contribution to economic growth. The Marginal Cost of Funds based Lending Rate or MCLR is a new methodology to set the lending rates for commercial banks. Previously, banks used to lend as per the Base Rate fixed by The Reserve Bank of India but with the introduction of MCLR, banks will have to lend using rates linked to their funding costs. Simply put, bank raises their funds through deposits, bonds and other investments. For the banks to function smoothly, there are costs involved like salaries, rents and other bills. Considering that banks also need to make profits every year, RBI has included the expenses of the bank and have come up with a formula which can be used by banks to determine their lending rate. With the reduction of repo rate, some banks have reduced MCLR up to 90 basis points.

The highlights of the guidelines are as follows:

1. all rupee loans sanctioned and credit limits renewed with effect from April 1, 2016 will be priced with reference to the marginal cost of funds based lending rate ("**MCLR**") which will be the internal benchmark for such purposes;

2. the MCLR will be a tenor linked internal benchmark;

3. actual lending rates will be determined by adding the components of spread to the MCLR;

4. banks will review and publish their MCLR of different maturities every month on a pre-announced date;

5. banks may specify interest reset dates on their floating rate loans. They will have the option to offer loans with reset dates linked either to the date of sanction of the loan/credit limits or to the date of review of the MCLR;

6. the periodicity of reset shall be one year or lower;

7. the MCLR prevailing on the day the loan is sanctioned will be applicable until the next reset date, irrespective of the changes in the benchmark during the interim period;

8. existing loans and credit limits linked to the Base Rate may continue until repayment or renewal, as the case may be. Existing borrowers will also have the option to move to the MCLR linked loan on mutually acceptable terms; and

9. banks will continue to review and publish the Base Rate as hitherto.

Credit Policy Measures

The RBI issues an annual policy statement setting out its monetary policy stance and announcing various regulatory measures. The RBI issues a review of the annual policy statement on a bi-monthly basis.

Monetary Policy Statement for 2015-16

The first bi-monthly Monetary Policy Statement 2015-16 was announced on April 7, 2015. The RBI decided to keep the reverse repo rate under the liquidity adjustment facility ("**LAF**") unchanged at 7.5%, and the marginal standing facility ("**MSF**") rate and the Bank Rate at 9.0%; consequently, the reverse repo rate under the LAF remained unchanged at 6.5%, and the MSF rate and the Bank Rate stood at 8.5%.

The second bi-monthly Monetary Policy Statement 2015-16 was announced on June 2, 2015 under which the RBI with immediate effect reduced the policy rate under the LAF by 25 basis points to 7.25%; continued to provide liquidity under overnight repos at 0.25% of bank-wise net demand and time liability ("**NDTL**") at the LAF repo rate and liquidity under 14-day term repos as well as allowed longer term repos of up to 0.75% of NDTL of the banking system through auctions; and continued with overnight/term variable rate repos and reverse repos to smoothen the liquidity. Consequently, the reverse repo rate under the LAF remained unchanged at 6.25%, and the MSF rate and the Bank Rate stood at 8.25%.

The third bi-monthly Monetary Policy Statement 2015-16 was announced on August 4, 2015 under which the RBI decided to keep the policy rate under LAF unchanged at 7.25%; keep the CRR of scheduled banks unchanged at 4.0% of NDTL; continued to provide liquidity under overnight repos at 0.25% of bank-wise NDTL at the LAF repo rate and liquidity under 14-day term repos as well as allowed longer term repos of up to 0.75% of NDTL of the banking system through auctions; and continued with daily variable rate repos and reverse repos to smoothen the liquidity. Consequently, the reverse repo rate under the LAF remained unchanged at 6.25%, and the MSF rate and the Bank Rate at 8.25%.

The fourth bi-monthly Monetary Policy Statement 2015-16 was announced on September 29, 2015 under which the RBI decided to reduce the policy repo rate under the LAF by 50 basis points from 7.25% to 6.75%; keep the CRR of scheduled banks unchanged at 4.0% of NDTL; continued to provide liquidity under overnight repos at 0.25% of bank-wise NDTL at the LAF repo rate and liquidity under 14-day term repos as well as allowed longer term repos of up to 0.75% of NDTL of the banking system through auctions; and continued with daily variable rate repos and reverse repos to smoothen the liquidity. Consequently, the reverse repo rate under the LAF stood adjusted to 5.75%, and the MSF rate and the Bank Rate to 7.75%.

The fifth bi-monthly Monetary Policy Statement 2015-16 was announced on December 1, 2015. The RBI decided to keep the policy repo rate under the LAF unchanged at 6.75%; keep the CRR of scheduled banks unchanged at 4.0% of NDTL; continued to provide liquidity under overnight repos at 0.25% of bank-wise NDTL at the LAF repo rate and liquidity under 14-day term repos as well as allowed longer term repos of up to 0.75% of NDTL of the banking system through auctions; and continued with daily variable rate repos and reverse repos to smoothen the liquidity. Consequently, the reverse repo rate under the LAF remained unchanged at 5.75%, and the MSF rate and the Bank Rate stood at 7.75%.

The sixth bi-monthly Monetary Policy Statement 2015-16 was announced on February 2, 2016. The RBI decided to keep the policy repo rate under the LAF unchanged at 6.75%; keep the CRR of scheduled banks unchanged at 4.0% of NDTL; continued to provide liquidity under overnight repos at 0.25% of bank-wise NDTL at the LAF repo rate and liquidity under 14-day term repos as well as allowed longer term repos of up to 0.75% of NDTL of the banking system through auctions; and continued with daily variable rate repos and reverse repos to smoothen the liquidity. Consequently, the reverse repo rate under the LAF remained unchanged at 5.75%, and the MSF rate and the Bank Rate stood at 7.75%.

Monetary Policy Statement for 2016-17

First Bi-Monthly Monetary Policy Statement for fiscal year 2017 held on April 5, 2016

Monetary and Liquidity Measures

- Reduced the policy repo rate under the LAF by 25 basis points from 6.75% to 6.5%.

- CRR remained unchanged at 4%. Reduced the minimum daily cash maintenance of CRR from 95% to 90% with effect from the fortnight beginning April 16, 2016.

- Narrowed the policy rate corridor from +/-100 basis points to +/-50 basis points by reducing the MSF rate by 75 basis points and increasing the reverse repo rate by 25 basis points.

- The MSF rate stood adjusted at 7%, the Bank Rate at 7% and the reverse repo rate under the LAF at 6%.

- The liquidity provided under term repos of 7-day and 14-day tenor remained unchanged at 0.75 % of NDTL of the banking system while liquidity provided under overnight repos remained unchanged at 0.25% of bank-wise NDTL.

- Reduced the SLR by 25 basis points from 21.5% to 21% of the NDTL.

- Introduced MCLR for improving monetary policy transmission.

Second Bi-Monthly Monetary Policy Statement for fiscal year 2017 held on June 7, 2016

Monetary and Liquidity Measures

- The policy repo rate under the LAF remained unchanged at 6.5%.

- The MSF rate, Bank Rate and reverse repo rate remained unchanged at 7%, 7% and 6%, respectively.

- The liquidity provided under term repos of 7-day and 14-day tenor remained unchanged at 0.75% of NDTL of the banking system while liquidity provided under overnight repos remained unchanged at 0.25% of bank-wise NDTL.

Third Bi-Monthly Monetary Policy Statement for fiscal year 2017 held on August 9, 2016

Monetary and Liquidity Measures

- The policy repo rate under the LAF remained unchanged at 6.5%.

- The MSF rate remained unchanged at 7%, the Bank Rate at 7% and the reverse repo rate under the LAF at 6%.

- The liquidity provided under term repos of 7-day and 14-day tenor remained unchanged at 0.75% of NDTL of the banking system while liquidity provided under overnight repos remained unchanged at 0.25% of bank-wise NDTL.

Fourth Bi-Monthly Monetary Policy Statement for fiscal year 2017 held on October 4, 2016

Monetary and Liquidity Measures

- Reduced the policy repo rate under the LAF by 25 basis points from 6.5% to 6.25% with immediate effect.

- CRR of scheduled banks remained unchanged at 4.0% of NDTL.

- Continued to provide liquidity under overnight repos at 0.25% of bank-wise NDTL at the LAF repo rate and liquidity under 14-day term repos as well as allowed longer term repos of up to 0.75 % of NDTL of the banking system through auctions.

- Continued with daily variable rate repos and reverse repos to smoothen the liquidity.

- The reverse repo rate under the LAF stands adjusted to 5.75%, and the MSF rate and the Bank Rate to 6.75%.

- SLR adjusted to 20.75% from 21% with effect from October 1, 2016.

Fifth Bi-Monthly Monetary Policy Statement for fiscal year 2017 held on December 7, 2016

Monetary and Liquidity Measures

- Policy repo rate under the LAF unchanged at 6.25%.

- CRR of scheduled banks unchanged at 4.0% of NDTL.

- Continued to provide liquidity under overnight repos at 0.25% of bank-wise NDTL at the LAF repo rate and liquidity under 14-day term repos as well as allowed longer term repos of up to 0.75% of NDTL of the banking system through auctions.

- Continued with daily variable rate repos and reverse repos to smoothen the liquidity.

- The reverse repo rate under the LAF remained unchanged at 5.75%, and the MSF rate and the Bank Rate at 6.75%.

- Withdrew the incremental CRR of 100% of increase in NDTL which was introduced between September 16, 2016 and November 11, 2016 to absorb excess liquidity in the system due to withdrawal of legal tender status of Rs. 500 and Rs. 1,000.

Sixth Bi-Monthly Monetary Policy Statement for fiscal year 2017 held on February 8, 2017

Monetary and Liquidity Measures

- Policy repo rate under the LAF unchanged at 6.25%.

- CRR of scheduled banks unchanged at 4.0% of NDTL.

- Continue to provide liquidity under overnight repos at 0.25% of bank-wise NDTL at the LAF repo rate and liquidity under 14-day term repos as well as longer term repos of up to 0.75% of NDTL of the banking system through auctions.

- Continue with daily variable rate repos and reverse repos to smooth liquidity.

- The reverse repo rate under the LAF remained unchanged at 5.75%, and the MSF rate and the Bank Rate at 6.75%.

Monetary Policy Statement for 2016-17

Monetary and Liquidity Measures

- Policy repo rate under the LAF unchanged at 6.25%.

- CRR of scheduled banks unchanged at 4.0% of NDTL.

- Continued with daily variable rate repos and reverse repos for smooth liquidity.

- Reverse repo rate under the LAF increased by 25 bps to 6.00%. MSF rate and Bank Rate have been reduced by 25 bps to 6.50%.

Monetary Policy Statement for 2017-18

Monetary and Liquidity Measures

- Policy repo rate under the LAF unchanged at 6.25%.

- CRR of scheduled banks unchanged at 4.0% of NDTL.

- Continued with daily variable rate repos and reverse repos for smooth liquidity.

- Reverse repo rate under the LAF remained unchanged at 6.0%. MSF rate and Bank Rate have been kept unchanged at 6.50%.

Monetary Policy Statement for 2018-19

Monetary and Liquidity Measures

- Policy repo rate under the LAF increased by 25bps to 6.25% in June 2018 and to 6.50% in August 2018.

- CRR of scheduled banks unchanged at 4.0% of NDTL.

- Continued with daily variable rate repos and reverse repos for smooth liquidity.

- Reverse repo rate under the LAF increased by 25 bps to 6.25%. MSF rate and Bank Rate have been increased to 6.75%.

- A new portal named 'Udyami Mitra' has been launched by the Small Industries Development Bank of India (SIDBI) with the aim of improving credit availability to Micro, Small and Medium Enterprises' (MSMEs) in the country.

- Mr Arun Jaitley, Minister of Finance, Government of India, introduced 'The Banking Regulation (Amendment) Bill, 2017', which will replace the Banking Regulation (Amendment) Ordinance, 2017, to allow the Reserve Bank of India (RBI) to guide banks for resolving the problems of stressed assets.

- Under the Union Budget 2018-19, the Government has allocated Rs. 3.0 trillion (U.S.$46.3 billion) towards the Mudra Scheme and Rs. 3.8 billion (U.S.$586.0 million) towards credit support, capital and interest subsidy to MSMEs.

- In March 2018, the Government launched Pradhan Mantri Vaya Vandana Yojna to provide elderly people Rs. 10,000 (U.S.$155.2) pension per month. This scheme has an investment limit of Rs. 1.5 million (U.S.$23,273.9).

- In May 2018, the Government of India provided Rs. 6.00 trillion (U.S.$93.1 billion) loans to 120 million beneficiaries under Mudra scheme.

- As on January 4, 2018, the Lok Sabha has approved recapitalization bonds worth Rs. 80.0 billion (U.S.$12.6 billion) for public sector banks, which will be accompanied by a series of reforms.

The Government and the RBI have undertaken several measures to strengthen the Indian banking sector.

- A two-year plan to strengthen the public sector banks through reforms and capital infusion of Rs 2,110.0 billion (U.S.$32.5 billion), has been unveiled by the Government that will enable these banks to play a much larger role in the financial system and give a boost to the MSME sector. In this regard, the Lok Sabha has approved recapitalization bonds worth Rs. 800.0 billion (U.S.$12.6 billion) for public sector banks, which will be accompanied by a series of reforms, according to Mr. Arun Jaitley, Minister of Finance, Government.

- The Insolvency and Bankruptcy Code (Amendment) Ordinance, 2017 Bill has been passed by Rajya Sabha and is expected to strengthen the banking sector.

Reforms of the Non-Banking Financial Companies

Standards relating to income recognition, provisioning and capital adequacy were prescribed for non-banking financial companies in June 1994. Registered non-banking financial companies were required to achieve a minimum capital adequacy of 6.0% by the end of fiscal year 1995 and 8.0% by the end of fiscal year 1996 and to obtain a minimum credit rating. To encourage companies to comply with the regulatory framework, the RBI announced in July 1996 certain liberalization measures under which the non-banking financial companies registered with it and complying with the prudential norms and credit rating requirements were granted freedom from the ceiling on interest rates on deposits and amount of deposits. Other measures introduced include requiring non-banking financial companies to maintain a certain percentage of liquid assets and to create a reserve fund. The percentage of liquid assets to be maintained by non-banking financial companies has been revised uniformly upwards to 15.0% of public deposits since April 1999. From January 1, 2000, the requirement should not be less than 10.0% in approved securities and the remaining in unencumbered term deposits in any scheduled commercial bank, the aggregate of which shall not be less than 15.0% of the "public deposit" outstanding at the close of business on the last working day of the second preceding quarter. The maximum rate of interest that non-banking financial companies could pay on their public deposits was reduced from 12.5% per annum to 11.0% per annum effective March 4, 2003. Effective April 24, 2007, the maximum rate of interest on public deposits accepted by non-banking financial companies was increased to 12.5% per annum.

Efforts have also been made to integrate non-banking financial companies into the mainstream financial sector. The first phase of this integration covered measures relating to registrations and standards. The focus of supervision has now shifted to non-banking financial companies accepting public deposits. This is because companies accepting public deposits are required to comply with all the directions relating to public deposits, prudential norms and liquid assets. A task force on non-banking financial companies set up by the Government submitted its report in October 1998, and recommended several steps to rationalize the regulation of non-banking financial companies. Accepting these recommendations, the RBI issued new guidelines for non-banking financial companies in December 1998, which were as follows:

- a minimum net owned fund of Rs. 2.5 million is mandatory before existing non-banking financial companies may accept public deposits;

- a minimum investment grade rating is compulsory for loan and investment companies accepting public deposits, even if they have the minimum net owned funds;

- permission to accept public deposits was also linked to the level of capital to risk assets ratio. Different capital to risk assets ratio levels for non-banking financial companies with different ratings were specified; and

- non-banking financial companies were advised to restrict their investments in real estate to 10.0% of their net owned funds.

In the monetary and credit policy for fiscal year 2000, the RBI stipulated a minimum capital base of Rs. 20 million for all new non-banking financial companies. This measure was implemented by a notification dated April 21, 1999. In this regard, draft guidelines were introduced on May 21, 2007 whereby the requirement of a minimum net owned fund of Rs. 20 million was proposed to be extended to all NBFCs. Subsequent to the Government's budget for fiscal year 2002, the procedures for foreign direct investment in NBFCs were substantially liberalized.

During fiscal year 2003, the RBI introduced a number of measures to enhance the regulatory and supervisory standards of non-banking financial companies, especially in order to bring them in line with commercial banks, in select operations, over a period of time. Other regulatory measures adopted and subsequently revised in November 2004 included aligning interest rates in this sector with the rates prevalent in the rest of the economy, tightening prudential norms and harmonizing supervisory directions with the requirements of the Companies Act, 1956, procedural changes in nomination facilities, issuance of a Know Your Customer policy and allowing non-banking financial companies to enter the insurance agency business.

In 2005, the RBI introduced stricter regulatory measures for non-banking financial companies, including stringent reporting requirements and revised Know Your Customer guidelines.

On May 11, 2010, the RBI decided to modify the extant ECB policy in respect of IFCs. As per the extant norms, IFCs have been permitted to avail of ECBs for on-lending to the infrastructure sector, as defined in the extant ECB policy, under the approval route. As a measure of liberalization of the existing procedures, it was decided to permit the IFCs to avail of ECBs, including the outstanding ECBs, up to 50.0% of their owned funds under the automatic route, subject to their compliance with the prudential guidelines already in place. ECBs incurred by IFCs in excess of 50.0% of their owned funds would require the approval of the RBI and would, therefore, be considered under the approval route. All the other aspects of ECB policy remained unchanged.

In February 2011, the RBI decided to align the minimum capital ratio of all deposit-taking as well as systemically important non-deposit-taking NBFCs to 15% Accordingly, all deposit-taking NBFCs were required to maintain a minimum capital ratio consisting of Tier I and Tier II capital, which shall not be less than 15% of its aggregate risk-weighted assets on balance sheet and risk adjusted value of off-balance sheet items with effect from March 31, 2012.

In March 2011, the RBI decided to prohibit NBFCs from contributing capital to any partnership firm or to be partners in partnership firms in view of the risks involved in NBFCs associating themselves with partnership firms. In the case of existing partnerships, NBFCs may seek early retirement from the partnership firms.

In November 2014, the RBI introduced a revised regulatory framework for NBFCs in view of the increasing complexities of services offered by NBFCs, making it mandatory for all NBFCs to attain a minimum net-owned fund of Rs. 20 million by the end of March 2017 in a phased manner, with a minimum net-owned fund of Rs. 10.0 million by March 2016 and Rs. 20.0 million by March 2017. The RBI amended disclosure requirements in the financial statements applicable to all NBFCs and all non-deposit-taking NBFCs. In addition, the RBI made changes to the prudential norms, board committees of the NBFCs, criteria for the appointment of directors, offsite reporting and exemptions.

Guidelines on Liquidity Risk Management and Basel III Framework on Liquidity Standards

To address the deficiencies witnessed in liquidity risk management in the recent crisis and to strengthen liquidity risk management in banks, the Basel Committee on Banking Supervision ("**BCBS**") published "Principles for Sound Liquidity Risk Management and Supervision" in September 2008. This was followed by the publication of "Basel III: International Framework for Liquidity Risk Measurement, Standards and Monitoring" in December 2010, i.e. the Basel III rules text on liquidity prescribing two minimum global regulatory standards, namely the LCR and the net stable funding ratio for liquidity risk and a set of five monitoring tools.

In accordance with this, the RBI, being a member of the BCBS, released draft guidelines "Liquidity Risk Management and Basel III Framework on Liquidity Standards" in February 2012. The final guidelines on Basel III capital regulations were issued on May 2, 2012. These guidelines were scheduled to be implemented on January 1, 2013 in a phased manner and were scheduled to be fully implemented on March 31, 2018. Subsequently, the implementation date for Basel III capital regulations was changed to April 1, 2013 from January 1, 2013 to align the implementation date with the Indian financial year.

Compliance with Basel II and Basel III Requirements

In April 2011, the RBI issued guidelines to banks in relation to moving towards the "Advanced Measurement Approach" ("**AMA**") for computing capital for operational risk. According to the AMA guidelines, banks are required to submit their letter of intent to migrate to the AMA followed by a detailed application to the RBI for migrating to the advanced measurement approach. The Bank had submitted its letter of intent for migration to the AMA in September 2012. On the basis of the RBI's permission, the Bank had made its final application for moving to the AMA in September 2014. The RBI had undertaken an offsite and onsite assessment of the Bank's preparedness and had granted approval to the Bank to migrate to the AMA on a parallel run basis in June 2015.

In April 2010 and March 2012, the RBI issued guidelines relating to switching over to (i) the "Internal Model Approach" for computing capital for market risk and (ii) the "Internal Ratings-Based Approach" ("**IRB**") for computing capital for credit risk, respectively.

The Bank has constituted a Basel Credit Risk Committee which comprises the deputy managing director, the chief risk officer and the group head of finance and audit functions, which meets on a quarterly basis to oversee the progress of the preparation for the IRB. The committee is also responsible for approving various IRB related policies which are presented to it from time to time. Further, the committee also reviews the capital impact as per the IRB approach and provides guidance on reviews of the methodology used from time to time.

The Bank had completed a self-assessment of its preparation to migrate to the IRB approach and, with the approval of the Risk Policy and Monitoring Committee of the Board, submitted a letter of intent to RBI for migrating to the IRB approach. Following the submission of additional information and further interaction with RBI officials, the Bank has been allowed by RBI to participate in the parallel run process for the Foundation IRB approach for regulatory capital calculation for credit risk, subject to certain conditions. During the parallel run period, the Bank is required to provide data and/or information as per prescribed returns to RBI on a quarterly basis. Quantitative disclosures in line with pillar 3 disclosures under the Basel III guidelines as mandated by the RBI for commercial banks are disclosed in the Regulatory Disclosure Section of the Bank's website on a quarterly basis.

With regards to market risk capital charge, the Bank currently follows the standardized approach (being the standardized measurement methodology ("**SMM**") prescribed by the regulator and has further put in place a risk analytics system towards developing capability for adopting an internal model approach. The Basel III guidelines have been introduced with a view to improve the banking sector's ability to absorb shocks arising from any financial and economic stress from whatever source and with the aim of supplementing the risk-based capital requirement with a leverage ratio that requires capital for all "on and off balance sheet" items, thus shifting the focus towards common equity capital.

During fiscal year 2014, the Bank made concurrent qualified institutional placements and a public offering of American depositary shares each representing three equity shares. The aggregate funds received from these issuances was Rs. 97,661 million. Furthermore, the Bank continuously takes measures to be in compliance with the phasing in of capital and leverage ratio requirements under the Basel III guidelines as per the schedule prescribed by the RBI.

Small Finance Banks and Payment Banks

The RBI on July 17, 2014 issued draft guidelines for the licensing of payment banks and on November 27, 2014 issued guidelines for small finance banks in the private sector. The primary objective of setting up the payment banks and small finance banks was to further financial inclusion by providing (i) small savings accounts and (ii) payments/remittance services to a migrant labor workforce, low income households, small businesses, other unorganized sector entities and other users, by enabling high-volume low-value transactions in deposits and payments/remittance services in a secured technology driven environment. The RBI received 72 applications for small finance banks and 41 applications for payment banks. In August 2015, 11 entities were granted "in-principle" approval from the RBI for the setting up of payment banks while ten entities were provided "in-principle" approval for the setting up of small finance banks. However, as of the date of this Offering Memorandum, of the 11 payment banks, three applicants had surrendered their payment bank licenses.

Key features of the Small Finance Bank guidelines are as follows:

Eligible promoters:

Resident individuals/professionals with ten years of experience in banking and finance and companies and societies "owned and controlled by residents" will be eligible to set up small finance banks. Existing NBFCs, micro finance institutions, and local area banks that are "owned and controlled by residents" can also opt for conversion into small finance banks. Promoter/promoter groups should be "fit and proper", with a sound track record of professional experience or of running their businesses for a period of at least five years in order to be eligible to promote small finance banks.

Scope of activities:

- The small finance banks shall primarily undertake basic banking activities of acceptance of deposits and lending to unserved and underserved sections, including small business units, small and marginal farmers, micro and small industries and unorganized sector entities.

- There will not be any restriction in the area of operations of small finance banks.

Capital requirement:

The minimum paid-up equity capital for small finance banks shall be Rs. 100 million.

Promoter's contribution:

The promoter's minimum initial contribution to the paid-up equity capital of such small finance bank shall be at least 40% and shall gradually be brought down to 26% within 12 years from the date of commencement of business of the bank.

Foreign shareholding:

The foreign shareholding in small finance banks would be as per the Foreign Direct Investment ("**FDI**") policy for private sector banks as amended from time to time.

Prudential norms:

- The small finance banks will be subject to all prudential norms and regulations of the RBI as applicable to existing commercial banks, including the requirement of maintenance of CRR and SLR. No forbearance would be provided for complying with the statutory provisions.

- The small finance banks will be required to extend 75% of their ANBC to the sectors eligible for classification as PSL by the RBI.

- At least 50% of their loan portfolio should constitute loans and advances of up to Rs. 2.5 million.

Transition path:

If a small finance bank aspires to transit into a universal bank, such transition will not be automatic, but would be subject to fulfilling the minimum paid-up capital/net worth requirement as applicable to universal banks, its satisfactory track record of performance as a small finance bank and the outcome of the RBI's due diligence exercise.

Key features of the Payments Banks guidelines are as follows:

Eligible promoters:

- Existing non-bank pre-paid payment instrument issuers and other entities such as individuals/professionals, NBFCs, corporate Business Correspondents (BCs), mobile telephone companies, supermarket chains, companies, real sector cooperatives that are "owned and controlled by residents", and public sector entities may apply to set up payments banks.

- A promoter/promoter group can have a joint venture with an existing scheduled commercial bank to set up a payments bank. However, a scheduled commercial bank can take an equity stake in a payments bank to the extent permitted under Section 19 (2) of the Banking Regulation Act, 1949.

- Promoter/promoter groups should be "fit and proper", with a sound track record of professional experience or of running their businesses for a period of at least five years in order to be eligible to promote payments banks.

Scope of activities:

- Acceptance of demand deposits. Payments banks will initially be restricted to holding a maximum balance of Rs. 100,000 per individual customer.

- Issuance of ATM/debit cards. Payments banks, however, cannot issue credit cards.

- Payments and remittance services through various channels.

- BC of another bank, subject to the RBI guidelines on BCs.

- Distribution of non-risk sharing simple financial products such as mutual fund units and insurance products.

Deployment of funds:

- The payments banks cannot undertake lending activities.

- Apart from amounts maintained as CRR with the RBI on its outside demand and time liabilities, payments banks will be required to invest a minimum of 75% of their "demand deposit balances" in SLR eligible Government securities/treasury bills with a maturity up to one year and to hold a maximum 25% in current and time/fixed deposits with other scheduled commercial banks for operational purposes and liquidity management.

Capital requirement:

- The minimum paid-up equity capital for payments banks shall be Rs. 100 million.

- The payments banks should have a leverage ratio of not less than 3%, i.e., their outside liabilities should not exceed 33.33 times their net worth (paid-up capital and reserves).

Promoter's contribution:

The promoter's minimum initial contribution to the paid-up equity capital of such payments bank shall be at least 40% for the first five years from the commencement of its business.

Foreign shareholding:

The foreign shareholding in the payments banks would be as per the FDI policy for private sector banks as amended from time to time.

Other conditions:

- The operations of the banks should be fully networked and technology driven from the beginning, conforming to generally accepted standards and norms.

- The banks should have a high-powered customer grievances cell to handle customer complaints.

Key Features

- Accept them & deposits up-to Rs. 100,000
- Pay interest on the deposits
- Issue debit cards/ATM cards that can be used on any bank's ATM
- Offer remittance services through mobile phones
- Offer automatic payment of bills
- Offer forex services to travelers
- Transfer funds directly to bank accounts

Developments in the Banking Sector

Implementation of the Basel III capital regulations

In December 2010, the BCBS issued a comprehensive reform package of capital regulations, known as Basel III. The objective of the reform package is to improve the banking sector's ability to absorb shocks arising from financial and economic stress, thus reducing the risk of spill over from the financial sector to the real economy. The RBI issued the RBI Basel III Capital Regulations and the guidelines became operational from April 1, 2013. However, the reform package and guidelines will be implemented in a phased manner. On December 31, 2013, the RBI further extended the implementation of credit valuation adjustment risk to April 1, 2014, and, on March 27, 2014, extended the deadline for full implementation of Basel III requirements to March 31, 2019. *(Source: RBI Circular DBOD.No.BP.BC.81/21.06.201/2013-14 dated December 31, 2013 and RBI Circular DBOD.No.BP.BC.102/21.06.201/2013-14 dated March 27, 2013.)*

Under Basel III, the total capital of a bank in India must be at least 9.00% of RWAs (8.00% as specified by the BCBS), Tier I capital must be at least 7.00% of RWAs (6.00% as specified by the BCBS) and Common Equity Tier I capital must be at least 5.50% of RWAs (4.50% as specified by the BCBS). Due to the transitional arrangements, the capital requirements of banks may be lower during the initial periods and higher during later years. Therefore, banks have been advised to do their capital planning accordingly. In addition to the minimum requirements as indicated above, banks are required to maintain a capital conservation buffer ("**CCB**") in the form of common equity of 2.50%. of RWAs. Under the RBI Basel III Guidelines, total capital with CCB has been fixed at 11.50% of RWAs. In July 2014, the RBI released the "Final Report of the Internal Working Group on Implementation of Counter-cyclical Capital Buffer", which requires banks to maintain a buffer of up to 2.5% of RWAs in period of high credit growth as a precaution for downturn.

Furthermore, under Basel III, a simple, transparent, non-risk based leverage ratio has been introduced. The BCBS will test a minimum Tier I leverage ratio of 3.00% during a parallel run period from January 1, 2013 to January 1, 2017. The RBI has prescribed that during this parallel run period banks should strive to maintain their existing leverage ratios, but in no case should a bank's leverage ratio fall below 4.50%. Banks whose leverage is below 4.50% have been advised to achieve this target as early as possible. This leverage ratio requirement is yet to be finalized and will be finalized taking into account the final proposals of the BCBS. *(Source: RBI Annual Report 2011-2012.)* Additionally, in June 2014, the RBI released guidelines for a LCR as part of the Basel III framework on liquidity standards, which will require minimum LCRs starting at 60% as of January 1, 2015, increasing in equal annual steps to 100% by January 1, 2019.

Furthermore, Additional Tier I non-equity capital instruments under Basel III are expected to provide additional features such as full coupon discretion, and principal loss absorption when the common equity ratio of a bank falls below 6.125% of its risk-weighted assets. In the case of Tier II non-equity capital instruments, the distinction between Upper Tier II and Lower Tier II instruments under Basel II is removed and a single class of Tier II instrument eligibility criteria has been prescribed. Additionally, under Basel III loss absorption features have been included in the event of the occurrence of the "Point of Non-Viability" trigger. The RBI has also fixed the base at the nominal amount of capital instruments outstanding on January 1, 2013, and their recognition will be capped at 90.00% from April 1, 2013, with the cap reducing by 10.00% points in each subsequent year.

On August 31, 2015, the Reserve Bank of India designated the State Bank of India and ICICI Bank Ltd. as domestic systematically important banks ("**D-SIB**"). Based on the methodology provided in the D-SIB framework and data collected from banks as on March 31, 2015, the State Bank of India and ICICI Bank Ltd. will have to provide Additional Common Equity Tier 1 (CET1) requirements as a percentage of risk weighted assets of 0.6% and 0.2%, respectively. The CET1 requirements applicable to D-SIBs will be applicable from April 1, 2016 in a phased manner and would become fully effective from April 1, 2019. The additional CET1 requirements will be in addition to the capital conservation buffer.

Dynamic provisioning guidelines

At present, banks generally make two types of provisions; general provisions on standard assets and specific provisions on NPAs. Since the level of NPAs varies through the economic cycle, the resultant level of specific provisions also behaves cyclically. Consequently, lower provisions during upturns and higher provisions during downturns have a pro-cyclical effect on the real economy.

To address the pro-cyclicality of capital and provisioning, efforts at an international level are being made to introduce countercyclical capital and provisioning buffers. The RBI has prepared a discussion paper on a countercyclical (dynamic) provisioning ("**DP**") framework.

The DP framework is based on the concept of expected loss ("**EL**"), which is the average level of losses a bank can reasonably expect to experience, and is considered the cost of doing business. It is generally covered by provisioning and pricing. The objective of DP is to soften the impact of incurred losses on the results of operations through the economic cycle, and not to provide a general provisioning cushion for EL. More specifically, the DP created during a year will be the difference between the long run average EL of the portfolio for one year and the incremental specific provisions made during the year. The parameters of the model suggested in the discussion paper are calibrated based on the data of Indian banks. Banks that have the capability to calibrate their own parameters may, with the prior approval of the RBI, introduce a DP framework using the theoretical model indicated by the RBI. Other banks will have to use the standardized calibration provided by the RBI. *(Source: RBI Annual Report 2011-2012 and Discussion Paper on Introduction of Dynamic Loan Loss Provisioning Framework for Banks in India dated March 30, 2012.)*

The RBI, in its circular dated March 30, 2015, has decided that, as a countercyclical measure, a bank may utilize up to 50% of the countercyclical provisioning buffer/floating provisions held by it as of December 31, 2014 for making specific provisions for non-performing assets, as per the policy approved by the bank's Board of Directors. The RBI further clarified that the use of the countercyclical provisioning buffer/floating provisions under this measure may be over and above the use of the countercyclical provisioning buffer/floating provisions as proposed in the RBI's circular of February 26, 2014 on "Framework for Revitalising Distressed Assets in the Economy — Refinancing of Project Loans, Sale of NPA and Other Regulatory Measures." The February 2014 circular also emphasizes that all banks should develop the necessary capabilities to have a dynamic loan loss provisioning framework in place which would enable them to build up a "DP account" during good times and utilize the same during a downturn.

The Master Direction issued by the RBI on May 12, 2016 titled "Master Direction — Ownership in Private Sector Banks, Directions, 2016" provides the applicable shareholding ceilings in private sector banks to various categories of shareholders. It states that the ownership limits for all shareholders in the long run shall be based on categorization of the shareholders under two broad categories, namely (i) natural persons (individuals) and (ii) legal persons (entities or institutions). Further, non-financial and financial institutions and, among financial institutions, diversified and non-diversified financial institutions shall have separate limits for shareholding, as below:

- in the case of individuals and non-financial entities (other than promoters or promoter groups), the limit shall be 10% of the paid-up capital. However, in the case of promoters being individuals and non-financial entities in existing banks, the permitted promoter or promoter group shareholding shall be in line with the permitted level in the February 22, 2013 guidelines on the licensing of universal banks at 15%;

- in the case of entities from the financial sector, other than regulated or diversified or listed, the limit shall be 15% of the paid-up capital;

- in the case of "regulated, well diversified, listed entities from the financial sector" and shareholding by supranational institutions or public sector undertakings or Government, a uniform limit of up to 40% of the paid-up capital is permitted for promoters, promoter groups and non-promoters; and

- higher stake or strategic investment by promoters, non-promoters through capital infusion by domestic or foreign entities or institutions shall be permitted on a case-by-case basis under circumstances, amongst others, such as relinquishment by existing promoters, rehabilitation, restructuring of problems, weak banks, entrenchment of existing promoters, or if it is in the interests of the bank or in the interests of consolidation in the banking sector.

Future Outlook and Key Trends

Going forward, banks will need to move towards the mandated higher capital standards, stricter liquidity and leverage ratios and a more cautious approach to risk. This implies that Indian banks will need to improve efficiency even as their costs of doing business increase. They will need to refine their risk management skills for enterprise-wide risk management. In addition, banks need to have in place a fair and differentiated risk pricing of products and services, since capital comes at a cost. This involves costing, a quantitative assessment of revenue streams from each product and service and an efficient transfer-pricing mechanism that would determine capital allocation.

The following description is a summary of certain sector specific laws and regulations in India, which are applicable to the Bank. The information detailed in this chapter has been obtained from publications available in the public domain. The regulations set out below may not be exhaustive, and are only intended to provide general information to the investors and are neither designed nor intended to substitute for professional legal advice or a detailed review of the relevant laws and regulations. Any reference to statutes, rules or regulations in the summary below is a reference to the current provisions of the statute, rule or regulation, as amended.

Statutory Framework

The Government and the Reserve Bank of India ("**RBI**") regulate the banking sector in India. The primary legislation governing commercial banks in India is the Banking Regulation Act, 1949 ("**BR Act**"). In addition, certain provisions of the BR Act are also applicable to the Issuer. The Issuer has been constituted and is governed by the provisions of the State Bank of India Act, 1956 ("**SBI Act**") and the State Bank of India General Regulations, 1955. Other important laws relevant to banks in India, including the Issuer, include the Reserve Bank of India Act, 1934 ("**RBI Act**"), the Negotiable Instruments Act, 1881, the Foreign Exchange Management Act, 1999 ("**FEMA**") and the Bankers' Books Evidence Act, 1891. The Issuer is a scheduled commercial bank as per the provisions of the RBI Act. Additionally, the RBI periodically issues guidelines, regulations, policies, notifications, press releases and circulars, which the Issuer is required to follow. The RBI supervises the Issuer's compliance with the applicable laws and regulations.

The Issuer has been constituted under the SBI Act to facilitate the execution of public policies related to banking and finance, such as the large-scale extension of banking facilities throughout the country, with particular emphasis on the extension of such facilities in rural and semi-urban areas. Under the SBI Act, the Issuer shall be guided by such directions in matters of policy involving public interest as the Government may, in consultation with the governor of the RBI and the chairman of the Issuer, prescribe.

The Issuer is managed by the Central Board, which consists of the Chairman and not more than four Managing Directors appointed by the Government under the SBI Act; elected directors of the shareholders; one director each from the employees of the Issuer who are workmen as well as who are not workmen to be appointed by the Government; other nominee directors appointed by the Government from among persons having special knowledge of the working of cooperative institutions and of rural economy or experience in commerce, industry, banking or finance; one director to be nominated by the Government; and, one director possessing necessary experience in matters to regulation or supervision of commercial banks to be nominated by the Government on the recommendation of the RBI.

According to the SBI Act, the Issuer must act as an agent of the RBI if so required by the RBI. Further, the accounts of the Issuer must be audited by external statutory auditors appointed by the Issuer with the previous approval of the RBI. If the Government desires, it may appoint auditors to examine and report on the Issuer's accounts. Also, according to the SBI Act, the provisions of law relating to the winding up of companies do not apply to the Issuer and the Issuer cannot be placed in liquidation except by order of the Government.

The SBI Act was amended with effect from June 29, 2007 by the State Bank of India (Amendment) Act 2007 to effect a total transfer of the RBI's shareholding of the Issuer to the Government. Further, the SBI Act was amended with effect from September 15, 2010 by the State Bank of India (Amendment) Act, 2010 to increase the authorized share capital of the Issuer and allow raising of capital through the issue of preference shares by public issue, rights issue, preferential allotment or private placement. In addition, the Government's minimum required shareholding of the

Issuer's issued capital is reduced from 55.0% to 51.0%. The Central Board of the Issuer may increase the issued capital of the Issuer by the issue of bonus shares to existing equity shareholders in such manner as the Government may, after consultation with the RBI. The Issuer may accept installment payments, make calls, and forfeit and re-issue unpaid shares.

The SBI Act was amended with effect April 1, 2017 by the State Banks (Repeal and Amendment) Act, 2018 which allowed the Issuer to acquire its subsidiaries and delete the corresponding subsidiary clauses in the SBI Act. The acquisition was done for rationalization of resources, reduction of costs, improved productivity and customer service.

The SBI Act empowers the Central Board of the Issuer, after consultation with the RBI and with the previous sanction of the Central Government to make regulations for all matters for giving effect to the provisions of the SBI Act and in particular to the specific items mentioned in the said section. Accordingly, the State Bank of India General Regulations, 1955 ("**SBI General Regulations**") was formulated in accordance with the SBI Act.

The SBI General Regulations contain specific provisions dealing with matters related to the shares and share register of the Issuer; safeguards to be provided in maintaining the register of shareholders in computers; meeting of shareholders; voting rights of shareholders; election of directors; meetings and related matters of the Central Board and its executive committee; jurisdiction of local head offices of the Issuer; local boards and its committees; remuneration of directors and local board members; loans and advances to directors and employees; execution of documents by the Issuer and signing power of officials of the Issuer; and payment of dividend by the Issuer.

The SBI General Regulations were last amended by the Central Board of the Issuer with effect from March 3, 2014. A few key features of the said amendments to the SBI General Regulations include new regulations prescribing the procedure for increasing issued capital, forfeiture and re-issue of shares and modification of existing regulations due to the increase of the number of Managing Directors of the Bank to four and omission of the post of vice-chairman.

The Bank's relationships with the Government and the RBI

The Bank has relationships with the Government and the RBI in several contexts as described below.

The Government as majority shareholder

The Government purchased the RBI's entire shareholding in the Issuer on June 29, 2007 and is the Issuer's Promoter with a shareholding of approximately 61.23% as of March 31, 2017. The SBI Act provides that the Government shall hold not less than 51.00% of the Issuer's Equity Shares. As the Issuer's Promoter, the Government has effective control over the affairs of the Issuer.

Statutory powers of the Government over the *Issuer*

As the formation and constitution of the Issuer is under the SBI Act, it does not have articles or a memorandum of association. However, under the SBI Act, the Government has been given rights and powers typically given to shareholders under typical corporate structures such as the power to alter authorized share capital of the Issuer.

The SBI Act and the regulations thereunder provide the Government and the RBI with certain additional rights which may be used to influence the affairs of the Issuer. For instance, the SBI Act expressly provides that the Issuer shall be guided in matters of policy involving public interest by such direction as the Government may, in consultation with the RBI and the Chairman of the Issuer, provide. In addition, although the Issuer's affairs are managed by the Central Board, the Central Board mostly consists of members directly appointed by the Government in consultation with the RBI wherever the SBI Act provides for such consultation as well as nominees of the Government. If the

Government, on the recommendations of the RBI, is satisfied that in the public interest or for preventing the affairs of the Issuer being conducted in a manner detrimental to the interest of the depositors or the Issuer or for securing the proper management of the Issuer, the Government is empowered to supersede the Central Board for a period not exceeding six months, which can be further extended for a total period not exceeding twelve months. In case of such supersession of the Central Board, the Government, in consultation with the RBI, shall appoint an administrator, who shall exercise all the powers of the Central Board.

The RBI and its Regulations

The BR Act gives power to the RBI to issue directions to banking companies generally or to any banking company in particular, as the RBI may deem fit. For instance, the RBI may issue directions: (i) in public interest; (ii) in the interest of banking policy; (iii) to prevent the affairs of any banking company from being conducted in a manner detrimental to the interests of depositors or prejudicial to the interests of the banking company; or (iv) to secure the proper management of any banking company generally. The banking companies are bound to comply with all such directions from the RBI.

By virtue of the SBI Act, the Issuer may carry on and transact the business of banking as set out in the BR Act. The BR Act makes some of the Act's provisions applicable to the Issuer. In addition to the requirement of obtaining licenses from the RBI for opening its branches, the Issuer is also regulated and supervised by the RBI for other matters relating to banking. The RBI requires the Issuer to furnish statements, information and certain details relating to its business. The RBI has issued guidelines on several matters including, but not limited to, recognition of income, classification of assets, valuation of investments, maintenance of capital adequacy and provisioning for impaired assets. The appointment of the auditors of the Issuer is subject to the approval of the RBI. The RBI can direct a special audit in the interest of the depositors or in the public interest.

Restrictions on Investments in a Single Company

A bank may hold shares in a subsidiary company in accordance with the provisions of the BR Act. Further the "Investments in subsidiaries and other companies - Guidelines", issued by the RBI on December 12, 2011 and the master circular on "para banking activities" dated July 1, 2015 lay down the framework for banks' investments in companies which are not subsidiaries.

Investments by banks in companies which are not subsidiaries are governed by the BR Act. No banking company shall hold shares in any company, whether as pledgee, mortgagee or absolute owner of an amount exceeding 30.0% of the paid-up share capital of that company, or 30.0% of its own paid up share capital and reserves, whichever is less, except as statutorily provided.

Regulatory Reporting and Examination Procedures

The RBI is empowered under the BR Act to inspect a bank. The RBI monitors prudential parameters at quarterly intervals. To enable off-site monitoring and surveillance by the RBI, banks are required to report to the RBI on various aspects. The RBI also conducts periodical on-site inspections on matters relating to the bank's portfolio, risk management systems, internal controls, credit allocation and regulatory compliance, at intervals ranging from one to three years. The RBI also conducts on-site supervision of selected branches with respect to general operations and foreign exchange related transactions.

Maintenance of Records

The BR Act specifically requires banks to maintain books and records in a particular manner and for a certain amount of time as stipulated by the Banking Companies (Period of Preservation of Records) Rules, 1985. Additionally, the RBI has issued the "Master Direction - Know Your Customer (KYC)) Direction, 2016" dated February 25, 2016 which provides for maintenance / preservation of certain records for a minimum period of five years from the date of the transaction or five years after the business relationships have ended, as the case may be.

Regulations Relating to the Opening of Branches

The opening of new branches and shifting of existing branches of banks are governed by the BR Act. Before granting any permission on an annual basis, the RBI may require to be satisfied, by an inspection, as to the financial condition and history of the banking company, the general character of its management, the adequacy of its capital structure and earning prospects and that public interest will be served by the opening or, as the case may be, change of location of the existing place of business. The RBI may cancel the license for violations of the conditions under which it was granted.

The RBI issues instructions and guidelines to banks on branch authorization from time to time, including guidelines allowing banking companies to open new branches, closure and shifting of branches/extension counters/ATMs. The RBI notified the Revised Guidelines - Opening of new place of business and transfer of existing places of business on May 18, 2017, which allowed domestic scheduled commercial banks (other than Regional Rural Banks), unless otherwise specifically restricted by RBI, to open branches in Tier 1 to Tier 6 centers without prior permission from RBI, subject to the conditions laid down by RBI.

Legal Reserve Requirements

*Cash Reserve Ratio ("**CRR**")*

Each bank is required to maintain CRR on a daily basis which is a specified percentage of total of DTL adjusted for the exemptions, by way of a balance in a current account with the RBI. At present the required CRR is 4%. The RBI does not pay any interest on CRR balances. The CRR has to be maintained on an average basis for a fortnightly period and the minimum daily maintenance of the CRR should be 90% effective from the fortnight beginning April 16, 2016. The RBI may impose penal interest at the rate of 3% above the bank rate on the amount by which the reserve falls short of the CRR required to be maintained on a particular day and if the shortfall continues further the penal interest charged shall be increased to a rate of 5% above the bank rate in respect of each subsequent day during which the default continues. In case of default in the maintenance of CRR on average basis during the fortnight, penal interest will be recovered as envisaged under the RBI Act.

*Statutory Liquidity Ratio ("**SLR**")*

Each bank is required to maintain a SLR, a specified percentage of total DTL by way of liquid assets like cash, gold or approved unencumbered securities. The percentage of this liquidity ratio is fixed by the RBI from time to time, pursuant to the BR Act. At present, the RBI requires banks to maintain SLR of 19.50%.

RBI requires the banks to create a reserve fund to which it must transfer not less than 25.00% of the profits of each year before dividends. If there is an appropriation from this account, the bank is required to report the same to the RBI within 21 days, explaining the circumstances leading to such appropriation.

Capital Adequacy Requirements

The RBI has issued guidelines based on the Basel III reforms on capital regulation on May 2, 2012, to the extent applicable to banks operating in India. The Basel III capital regulation has been implemented from April 1, 2013 in India in a phased manner. Banks have to comply with the regulatory limits and minimum capital adequacy requirements as prescribed under Basel III capital regulations, on an ongoing basis. The below table summarizes the capital requirements under Basel III guidelines for banks in India:

Sr. No.	Regulatory Capital	As % of Risk Weighted Assets
1.	Minimum Common Equity Tier I Ratio	5.50%
2.	Capital Conservation Buffer (comprised of Common Equity)	2.50%
3.	Minimum Common Equity Tier I Ratio plus Capital Conservation Buffer (i)+(ii)	8.00%
4.	Additional Tier I Capital	1.50%
5.	Minimum Tier I Capital Ratio (i) + (iv)	7.00%
6.	Tier II Capital	2.00%
7.	Minimum Total Capital Ratio (MTC) (v)+(vi)	9.00%
8.	Minimum Total Capital Ratio plus Capital Conservation Buffer (vii)+(ii)	11.50%

To ensure smooth transition to Basel III, appropriate transitional arrangements have been provided for meeting the minimum Basel III capital ratios, such as full regulatory adjustments to the components of capital. Consequently, as per the master circular on "Basel III Capital Regulations" dated July 1, 2015, capital ratios and deductions from Common Equity will be fully phased-in and implemented as of March 31, 2019. In view of the gradual phase-in of regulatory adjustments to the common equity component of Tier I Capital under Basel III, certain specific prescriptions of Basel II capital adequacy framework (e.g. rules relating to deductions from regulatory capital, risk weighting of investments in other financial entities) continued to apply to the remainder of regulatory adjustments not treated in terms of Basel III rules till March 31, 2017. The phase-in arrangements for banks operating in India are indicated in the following table:

Minimum capital ratios (as % of risk weighted assets)	April 30, 2013	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019
Minimum Common Equity Tier I (CET1)	4.50%	5.00%	5.50%	5.50%	5.50%	5.50%	5.50%
Capital conservation buffer (CCB)	—	—	—	0.625%	1.25%	1.875%	2.50%
Minimum CET1+ CCB	4.50%	5.00%	5.50%	6.125%	6.75%	7.375%	8.00%
Minimum Tier I Capital	6.00%	6.50%	7.00%	7.00%	7.00%	7.00%	7.00%
Minimum Total Capital*	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%
Minimum Total Capital +CCB	9.00%	9.00%	9.00%	9.625%	10.25%	10.875%	11.50%
Phase-in of all deductions from CET1# (in %)	20	40	60	80	100	100	100

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* The difference between the minimum total capital requirement of 9.00% and the Tier I requirement can be met with Tier II and higher forms of capital.

\# The same transition approach will apply to deductions from additional Tier I and Tier II Capital.

A bank shall comply with capital adequacy ratio requirements at two levels:

- the consolidated (group) level - capital adequacy ratio requirements, which measure the capital adequacy of a bank based on its capital strength and risk profile after consolidating the assets and liabilities of its subsidiaries / joint ventures / associates except those engaged in insurance and any non-financial activities; and

- the standalone level - capital adequacy ratio requirements, which measure capital adequacy of a bank based on its standalone capital strength and risk profile.

The overseas operations of a bank through its branches will be covered in both the above scenarios.

The RBI has thereafter issued revisions to the Master Circular - Basel III Capital Regulations dated July 1, 2015 vide its notifications, namely, (i) Master Circular — Basel III Capital Regulations — Clarification dated January 14, 2016 in relation to payment of coupons under criteria for inclusion of perpetual debt instruments in additional tier 1 capital; (ii) Master Circular — Basel III Capital Regulations — Revision dated March 1, 2016 in relation to treatment of revaluation reserves, treatment of foreign currency translation reserves, treatment of deferred tax assets, etc; (iii) Basel III Capital Regulations - Additional Tier 1 Capital dated February 2, 2017 in relation to coupon discretion under the criteria for inclusion of perpetual debt instruments in additional tier 1 capital.

Liquidity Coverage Ratio

The Basel III framework on ‘Liquidity Standard’ includes ‘Liquidity Coverage Ratio’, ‘Net Stable Funding Ratio’ (“**NSFR**”) and liquidity risk monitoring tools. With effect from January 1, 2015, the RBI introduced a requirement for commercial banks in India to maintain certain levels of Liquidity Coverage Ratio (“**LCR**”). The LCR measures a bank’s ability to manage and survive for 30 days under a significant stress scenario that combines idiosyncratic as well as market-wide shock situations that would result in accelerated withdrawal of deposits from retail as well as wholesale depositors, partial loss of secured funding, increase in collateral requirements and unscheduled drawdown of unused credit lines. At least 60% of the net cash outflows in the next 30 days, computed with these assumptions of a stressed scenario, are required to be supported by High Quality Liquid Assets (“**HQLA**”). Banks are required to maintain HQLA of minimum 90% with effect from January 1, 2018, which will increase to 100% with effect from January 1, 2019.

The Basel Committee on Banking Supervision issued the final rules on ‘Net Stable Funding Ratio’ in October 2014. RBI has issued guidelines on NFSR with effect from April 1, 2020 to ensure that banks maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities.

Domestic Systematically Important Banks

The RBI had issued the Framework for dealing with Domestic Systemically Important Banks (“**D-SIB**”) on July 22, 2014 (“**D-SIB Framework**”). The D-SIB Framework requires the RBI to disclose names of banks designated as D-SIBs every year in August starting from 2015 and place these banks in appropriate buckets depending upon Systemic Importance Scores. Based on the bucket in which a D-SIB is placed, an additional common equity requirement is applied to it.

The RBI has identified the Issuer as a D-SIB, under the bucketing structure as provided in the DSIB Framework. The higher capital requirements, for the Issuer, in the form of additional Common Equity Tier 1 are being phased-in from April 1, 2018 and will become fully effective from April 1, 2019.

Prudential norms on income recognition, asset classification and provisioning pertaining to advances

The RBI has issued guidelines on income recognition, asset classification, provisioning standards and the valuation of investments, which are revised from time to time. In terms of the guidelines issued by RBI, banks are required to classify an asset into non-performing when it ceases to generate income for the bank. Once the account has been classified as a non-performing asset, the unrealized interest and other income already debited to the account is derecognized and further interest is not recognized or credited to the income account unless collected in cash. The RBI's Master Circular on Prudential Norms on Income Recognition, Asset Classification and Provisioning Pertaining to Advances ("**Prudential Norms**") require banks to classify NPAs into the following three categories: (i) sub-standard assets; (ii) doubtful assets; and (iii) loss assets, based on the period for which the asset has remained non-performing. These norms also specify provisioning requirements specific to the classification of the assets.

The RBI has issued guidelines on April 18, 2017 advising all scheduled commercial banks to make additional provisions in respect of advances to stressed sectors of the economy. The banks are required to put in place a Board-approved policy for making provisions for standard assets at rates higher than the regulatory minimum, based on evaluation of risk and stress in various sectors. This evaluation needs to be on a quarterly basis.

The RBI has issued guidelines on September 1, 2016 to restrict scheduled commercial banks' investment in security receipts ("**SRs**") backed by their own stressed assets. With effect from April 1, 2017, where the investment in a bank in SRs backed by stressed assets sold by it, under an asset securitization is more than 50% of the SRs backed by its sold assets and issued under that securitization, provisioning requirement on SRs will be higher of the provisioning rate required in terms of net asset value declared by the securitization companies/reconstruction companies and provisioning rate as applicable to the underlying loans, assuming that the loans notionally continued in the books of the bank. With effect from April 1, 2018, this threshold of 50% has been reduced to 10%.

Priority sector lending

The "Master Direction — Reserve Bank of India (Priority Sector Lending — Targets and Classification) Directions, 2016" dated July 7, 2016 sets out the broad policy in relation to priority sector lending. In accordance with this circular, the priority sectors for all scheduled banks include (i) agriculture; (ii) micro, small and medium enterprises ("**MSMEs**"); (iii) export credit; (iv) education; (v) housing; (vi) social infrastructure; (vii) renewable energy and (viii) others. Under the Master Circular, the priority sector lending targets are linked to adjusted net bank credit as defined ("**ANBC**") or credit equivalent amount of off-balance sheet exposure, whichever is higher, as of the corresponding date of the preceding year. Currently, the total priority sector lending target for scheduled commercial banks is 40.00% of ANBC or credit equivalent amount of off-balance sheet exposure, whichever is higher. It also prescribed sub-targets for small and marginal farmers, micro-enterprises and weaker sections.

The RBI also requires foreign banks to make loans to exporters at concessional rates of interest. This enables exporters to have access to an internationally competitive financing option. Pursuant to existing guidelines, 312.0% of those a foreign bank's ANBC is required to be in the form of export credit whose number of branches is less than 20. While for domestic banks, incremental export credit over corresponding date of the preceding year, up to 2.0% of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher, effective from April 1, 2015 subject to a sanctioned limit of up to Rs. 250.0 million per borrower to units having turnover of up to Rs. 1.0 billion, is required.

Lending to Micro, Small & Medium Enterprises sector

With a view to enlarge our credit exposure in the MSME sector, we have initiated several sector friendly measures at highly competitive interest rates based on the enactment of the government on Micro, Small & Medium Enterprises Development Act, 2006. The RBI has from time to time, issued a number of guidelines / instructions / circulars / directives to banks in the matters relating to lending to MSME sector. The updated guidelines// instructions / circulars dated July 21, 2016 given the importance of the micro, small and medium enterprises for India's economy, the financing needs of this sector will continue to command special attention. The provisions shall apply to every SCB (excluding RRBs) licensed to operate in India by the RBI.

Exposure norms

As a prudential measure aimed at better risk management and avoidance of concentration of credit risk, the RBI has prescribed credit exposure limits for banks and long-term lending institutions in respect of their lending to individual borrowers and to all borrowers belonging to a single group. The RBI has prescribed exposure ceiling for a single borrower as 15% of capital funds and group exposure limit as 40% of capital funds comprising of Tier I and Tier II capital. Relaxations are permitted in exceptional circumstances and lending to infrastructure sector. The total exposure to a single NBFC, NBFC-AFC (Asset Financing Companies) and Infrastructure Finance Companies ("**IFCs**") should not exceed 10%, 15% and 15%, respectively, of the bank's capital funds as per its last audited balance sheet. The limit may be increased by another 5%, provided that the excess exposure is on account of funds on-lent to the infrastructure sector.

The aggregate exposure of a bank to the capital markets in all forms (both fund based and non-fund based) should not exceed 40% of its net worth, on both standalone and consolidated basis as of March 31 of the previous year. Within this overall ceiling, the bank's direct investment in shares, convertible bonds/debentures, units of equity-oriented mutual funds and all exposures to Venture Capital Funds (both registered and unregistered) should not exceed 20% of its net worth on both standalone and consolidated basis.

On August 25, 2016, the RBI released guidelines on Enhancing Credit Supply for Large Borrowers through market mechanism with the objective of mitigating the risk posed to the banking system on account of large aggregate lending to a single corporate. As per the framework, exposure to corporate with large borrowing from banking system beyond the prescribed limit would attract additional provisions and higher risk weights.

On December 1, 2016, the RBI released guidelines on Large Exposures Framework to align the exposure norms for Indian banks with the Basel Committee on Banking Supervision standards. From April 1, 2019, exposure limits to single and group borrowers will be 20% and 25% of our Tier 1 Capital funds as against the current norm of 15% and 40% of the Total Capital funds Limits.

Short-selling of Government securities

As per the "Master Circular on Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks" dated July 1, 2015, issued by the RBI, banks and primary dealers are allowed to undertake short sale of Government dated securities, subject to the short position being covered within a maximum period of three months, including the day of trade. Further, such short positions shall be covered only by outright purchase of an equivalent amount of the same security.

Regulations relating to Making Loans

The provisions of the BR Act govern the advancing of loans by banks in India. The RBI issues directions covering the lending activities of banks. Some of the major guidelines of the RBI, which are now in effect, are as follows:

- The RBI has prescribed norms for banks' lending to non-bank financial companies and the financing of public sector disinvestment.

- The RBI introduced the "base rate" in place of the Benchmark Prime Lending Rate ('**BPLR**') with effect from July 1, 2010. The base rate shall include all those elements of the lending rates that are common across all the categories of borrowers. For loans sanctioned up to June 30, 2010, BPLR would be applicable. However, for those loans sanctioned up to June 30, 2010 which come up for renewal from July 1, 2010 onwards, base rate would be applicable.

- The BR Act provides that the rate of interest charged by a bank shall not be reopened by any court on the ground that the rate of interest charged by a bank is excessive. The BR Act provides for protection to banks for interest rates charged by them.

- As set out in the agenda for 2015-16, the RBI introduced the MCLR system for scheduled commercial banks (excluding RRBs) which became effective from April 1, 2016, whereby all new rupee loans sanctioned and credit limits renewed would be priced with reference to the MCLR. Under the MCLR system, banks determine their benchmark lending rates linked to the MCLR which is more sensitive to changes in the policy rate, unlike the earlier base rate system where banks adopted different methodologies (average/marginal/blended principles) for computing their cost of funds.

- MCLR consists of four components: (a) marginal cost of funds (marginal cost of borrowings comprising deposits and other borrowings, and return on net worth), (b) negative carry on account of CRR, (c) operating costs and (d) term premium. The MCLR plus spread is the actual lending rates for borrowers. The spread comprises of only two components, namely, business strategy and credit risk premium.

- As per Press Release dated February 7, 2018, RBI has decided for linking Base Rate to the MCLR with effect from April 1, 2018.

Regulations relating to interest rates on deposits and advances

The RBI has issued "Reserve Bank of India - Interest rate on Deposits Directions, 2016" dated March 3, 2016 scheduled commercial banks are required to pay interest on deposits of money (other than current account deposits accepted by them or renewed by them in their domestic, ordinary non-resident, non-resident (external) accounts and foreign currency (non-resident) accounts (banks) scheme deposit account), subject to certain conditions prescribed by these directions. Banks are required to put in place a comprehensive policy on interest rates on deposits duly approved by the board of directors or any committee thereof. Further, certain additional restrictions have been prescribed to determine interest rates for savings deposits and term deposits. Additionally, interest rates offered by banks on NRO and NRE deposits cannot be higher than those offered by them on comparable domestic rupee term deposits.

Regulations relating to Know Your Customer ("KYC") and Anti-Money Laundering ("AML")

The RBI has issued guidelines on KYC, AML, and combating financing of terrorism and obligation of banks under the Prevention of Money Laundering Act, 2002 ("**PMLA**"). The PMLA casts certain obligations on the banks in regard to preservation and reporting of customer account information. Guidelines have been issued by the RBI under the BR Act and the Prevention of Money

Laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005.

The RBI issued the "Master Direction - Know Your Customer (KYC) Direction, 2016" on February 25, 2016 prescribing the guidelines for KYC and anti-money laundering procedures. Banks are required to formulate a KYC policy which shall include (i) customer acceptance policy, (ii) customer identification procedures, (iii) monitoring of transactions and (iv) risk management. In relation to each of the above, the master direction also specifies minimum procedures required to be followed by banks. Banks are not permitted to make payment of cheques/drafts/pay orders/banker's cheques bearing that date or any subsequent date, if they are presented beyond the period of three months from the date of such instrument.

The RBI issued the Master Direction - Know Your Customer (KYC) Directions, 2016 dated April 20, 2018. The amendments have made KYC compliance for NBFCs and Banks more stringent. Many relaxations provided earlier such as easy procedures for low-risk customers have been done away with the effect of these amendments. The amendments also put restrictions on outsourcing of decision-making functions of determining compliance with KYC norms. Overall, the amendments aim to control and put rigorous procedures in KYC compliances to ensure that the regulated entities follow the extant provisions of law, and reduce or eliminate the possibility of fraud or money laundering or usage of funds for terrorist financing and at the same time incorporating IT systems in the entities. The impact of such amendments are as follows:

- Decision-making functions of determining compliance with KYC norms shall not be outsourced.

- Now no provision for partial freezing and closure of accounts and necessarily in all cases of non-compliance with the CDD requirements accounts shall not be opened, business relations or perform transactions shall not be commenced.

- Earlier, there was no requirement to obtain fresh proof of identity in case of low-risk customers, however, now, PAN verification and Aadhaar verification shall be carried out again

- Since the Customer Due Diligence for non-face to face customers will be verified by biometric based e-KYC authentication within one year- the requirement to keep physical copy of the document has been done away with.

- The low risk customers can no longer be given the benefit of completing their verification within 6 months.

Regulations relating to maintenance of statutory reserves

A bank is required to maintain, on a daily basis, CRR, which is a specified percentage of its NDTL, excluding interbank deposits, by way of a balance in a current account with the RBI. At present the required CRR is 4.00%. The RBI does not pay any interest on CRR balances. The CRR has to be maintained on an average basis for a fortnightly period and the minimum daily maintenance of the CRR should be 95.00% effective from the fortnight beginning April 16, 2016. The RBI may impose penal interest at the rate of 3.00% above the bank rate on the amount by which the reserve falls short of the CRR required to be maintained on a particular day and if the shortfall continues further the penal interest charged shall be increased to a rate of 5.00% above the bank rate in respect of each subsequent day during which the default continues.

In addition to the CRR, a bank is required to maintain SLR, a specified percentage of its NDTL by way of liquid assets like cash, gold or approved unencumbered securities. The percentage of this liquidity ratio is fixed by the RBI from time to time, pursuant to the BR Act. At present, the RBI requires banks to maintain SLR of 19.5%. Additionally in December 2011, the RBI has permitted banks to avail funds from the RBI on an overnight basis, under the MSF, against their excess SLR holdings.

Regulations relating to authorized dealers for foreign exchange and cross-border business transactions

The foreign exchange and cross border transactions undertaken by banks, both on its own account and also on behalf of customers, are subject to the provisions of the FEMA and rules, regulations, directions and notifications issued thereunder. The RBI "Master Direction on External Commercial Borrowings", dated January 1, 2016, states that no financial intermediary, including banks, will be permitted to raise external commercial borrowings or provide guarantees in favor of overseas lenders for external commercial borrowings.

The "Master Direction on Risk Management and Interbank Dealings", dated July 5, 2016, states that all categories of overseas foreign currency borrowings of AD Category I banks, including existing external commercial borrowings and loans or overdrafts from their head office, overseas branches and correspondents outside India, international/ multilateral financial institutions or any other entity as permitted by the RBI and overdrafts in nostro accounts (not adjusted within five days), shall not exceed 100.0% of their unimpaired Tier I Capital or US$10.0 million (or its equivalent), whichever is higher.

All branches should monitor all non-resident accounts and cross border transactions to prevent money laundering. The RBI may impose penalty for contravention of the FEMA and regulations/ notifications issued there under or contravenes any condition subject to which an authorization is issued by it.

External Commercial Borrowings

The revised external commercial borrowings ("**ECBs**") framework recognizes more resident entities as eligible borrowers, recognizing more entities as lenders and expanding end-uses, as well as providing for periodic reviews of all-in cost ceilings for such borrowings. Special carve-outs were also made to take care of sector specific needs. Under the RBI's latest ECB Guidelines, the ECB framework comprises the following three tracks:

Track I: Medium-term foreign currency denominated ECB with Minimum Average Maturity ("**MAM**") of three to five years. Manufacturing sector companies may raise foreign currency denominated ECBs with minimum average maturity period of 1 year. Manufacturing sector companies may raise foreign currency denominated ECBs with minimum average maturity period of 1 year;

Track II: Long-term foreign currency denominated ECB with MAM of ten years; and

Track III: Indian Rupee denominated ECB with MAM of three or five years. Manufacturing sector companies may raise INR denominated ECBs with minimum average maturity period of 1 year. Manufacturing sector companies may raise INR denominated ECBs with minimum average maturity period of 1 year.

Some of the key restrictions on ECBs are as follows: (i) the maximum amount of ECBs which can be raised under the automatic route by companies in infrastructure and manufacturing sectors, NBFCs, infrastructure finance companies, NBFCs-asset finance companies and holding companies of core investment companies is U.S.$750.0 million or its equivalent during a financial year; (ii) companies in the software development sector are allowed to access ECBs of up to U.S.$200.0 million or its equivalent under the automatic route in a financial year for the purpose of meeting foreign currency and/or Rupee capital expenditure for permissible end-uses. The proceeds of the ECBs are mandated to not be used for the acquisition of land; and (iii) the maximum amount of ECBs which can be revised under the automatic route per financial year by entities engaged in micro finance activities is U.S.$100.0 million or its equivalent, and by the remaining entities is U.S.$500.0 million or its equivalent.

On September 19, 2018, RBI decided that manufacturing firms can raise ECB up to $50 million with a minimum average maturity period of one year, as compared to three years earlier. Further, banks were earlier allowed to underwrite rupee denominated bonds issued overseas for not more than 5% of the issue size after 6 months of the issue. This limit has been removed though prudential norms continue to apply.

On October 3, 2018, the RBI decided to permit public sector oil marketing companies to raise ECB for working capital purposes with minimum average maturity period of 3/5 years from all recognized lenders under the automatic route. Further, the individual limit of USD 750 million or equivalent and mandatory hedging requirements as per the ECB framework have also been waived for borrowings under this dispensation.

By way of a recent Circular issued by the RBI on November 6, 2018, the ECB Guidelines have been amended as follows:-

(i) ***Minimum Average Maturity***: Reduction in the minimum average maturity requirement for ECBs in the infrastructure space raised by eligible borrowers under RBI's Master Direction for ECBs, from 5 years to 3 years; and

(ii) ***Hedging requirements***: Reduction in the average maturity requirement from extant 10 years to 5 years for exemption from mandatory hedging provision applicable to ECBs raised by above referred eligible borrowers. Accordingly, the ECBs with minimum average maturity period of 3 to 5 years in the infrastructure space will have to meet 100% mandatory hedging requirement.

Further, RBI has also clarified that ECBs falling under the aforesaid revised provision but raised prior to the date of the aforesaid circular will not be required to mandatorily roll-over their existing hedges.

The RBI has decided to have only a negative list for all tracks. The negative list for all Tracks would include the following:

(a) Investment in real estate or purchase of land except when used for affordable housing as defined in Harmonized Master List of Infrastructure Sub-sectors notified by Government of India, construction and development of SEZ and industrial parks/integrated townships.

(b) Investment in capital market. Equity investment.

Additionally, for Tracks I and III, the following negative end uses will also apply except when raised from Direct and Indirect equity holders or from a Group company, and provided the loan is for a minimum average maturity of five years:

(c) Working capital purposes.

(d) General corporate purposes.

(e) Repayment of Rupee loans.

Finally, for all Tracks, the following negative end use will also apply:

(f) On-lending to entities for the above activities from (a) to (f).

ECB Policy on Issuance of Overseas Rupee denominated Bonds (Masala Bonds)

The RBI has set out the regulations relating to issuance of Rupee denominated bonds overseas in the ECB Guidelines. Under the ECB Guidelines, any company or body corporate, including real estate investment trusts and infrastructure investment trusts, can issue plain vanilla Rupee denominated bonds with a three-year minimum maturity period. The Rupee denominated bonds can be either placed privately or listed on exchanges pursuant to the host country's regulations.

In November 2016, the RBI, with a view to develop the market for Rupee denominated bonds overseas, allowed Indian banks to issue perpetual debt instruments qualifying for inclusion as additional Tier 1 capital, debt capital instruments qualifying for inclusion as Tier 2 capital and long-term bonds for financing infrastructure and affordable housing pursuant to the RBI circular on "Guidelines on Issue of Long Term Bonds by Banks — Financing of Infrastructure and Affordable Housing" dated July 15, 2014, as amended, by way of issuance of Rupee denominated bonds overseas and additionally allowed Indian banks to issue Rupee denominated bonds for purposes of financing infrastructure and affordable housing. However, underwriting by overseas branches or subsidiaries of Indian banks for such Rupee denominated bond issuances has not been allowed.

The RBI notified amendments to the Masala Bond regime in 2017 under the ECB Guidelines. On February16, 2017 the RBI, in order to provide for a greater choice of investor to Indian entities issuing Rupee-denominated bonds abroad, decided to permit Multilateral and Regional Financial Institutions where India is a member country, to invest in these Rupee-denominated bonds. The RBI, on June 7, 2017, on a review of the established framework for the issuance of Masala Bonds and with a view to harmonizing the various elements of the ECB framework, decided that any proposal to borrow by eligible Indian entities through the issuance of Masala Bonds would be examined at the Foreign Exchange Department, Central Office, Mumbai. Further, the RBI revised provisions concerning maturity periods (the minimum original maturity period for Masala Bonds raised up to U.S.$50 million equivalent in INR per financial year should be three years and for bonds raised above the U.S.$50 million equivalent in INR per financial year should be five years); all-in-cost ceiling: the all-in-cost ceiling for such bonds will be 450 basis points over the prevailing yield of the Government of India securities with a corresponding maturity.

Indian banks are eligible to issue Rupee denominated bonds overseas by way of the following instruments:

1. Perpetual Debt Instruments qualifying for inclusion as Additional Tier 1 capital and debt capital instruments qualifying for inclusion as Tier 2 capital; and

2. Long term Rupee Denominated Bonds overseas for financing infrastructure and affordable housing.

Setting up of Payments Banks

The RBI has also issued guidelines dated November 27, 2014 on licensing of "Payments Banks" in the private sector in the banking industry, including the eligibility criteria, scope, capital requirements, shareholding structure, prudential norms, and other corporate governance practices applicable to such proposed entities. The RBI, on October 6, 2016, issued separate Operating Guidelines for payments banks considering the differences between the business and financial inclusion focus of these banks. These guidelines are in furtherance of the November 27, 2014 guidelines issued earlier. Payments Banks and Small Finance Banks are also eligible to participate in the Call/Notice/Term money market (hereafter referred to as Call money market) both as borrowers and lenders, as per RBI's Notification dated October 29, 2018.

Classification and Reporting of Fraud Cases

The Reserve Bank of India (Frauds Classification and Reporting by Commercial Banks and Select FIs) Directions 2016 dated July 1, 2016, provide a framework for enabling banks to detect and report frauds early and taking timely consequent actions like reporting to the investigative agencies so that fraudsters are brought to book early, examining staff accountability and do effective fraud risk management. The fraud cases have been classified into misappropriation and criminal breach of trust, fraudulent encashment through forged instruments, manipulation of books of account or through fictitious accounts and conversion of property, unauthorized credit facilities extended for reward or for illegal gratification, negligence and cash shortages, cheating and forgery, fraudulent transactions involving foreign exchange and any other type of fraud not coming under the specific heads as above. Information relating to frauds for quarters ending June, September and December shall be placed before the audit committee of the board of directors. Banks are also required to conduct an annual review of the frauds and place a note before the board of directors for information.

Additionally, banks have to constitute a special committee for monitoring and follow up of frauds. Pursuant to the RBI notification dated January 21, 2016, such committee is required to meet and review as and when a fraud involving an amount of Rs. 50 million and above comes to light.

Secrecy obligations

The Issuer's obligations relating to maintaining secrecy arise out of the SBI Act and common law principles governing its relationship with its customers. Subject to certain exceptions, a bank cannot disclose any information to third parties. The RBI may, in public interest, publish the information obtained from the Issuer.

Recovery of Debts

The Recovery of Debts Due to Banks and Financial Institutions Act, 1993 ("**RDDBFI Act**") was enacted for adjudication of disputes pertaining to debts due to banks and financial institutions exceeding Rs. 10 million. The RDDBFI Act provides for the constitution of debt recovery tribunals, before which banks and financial institutions may file applications for recovery of debts. Further, no court or other authority, except the Supreme Court or a High Court exercising writ jurisdiction under the Constitution of India, shall have, or is entitled to exercise, any jurisdiction, powers or authority in relation to the aforementioned matter. The tribunals may pass orders for directions including recovery of such dues by the bank as may be deemed fit along with a recovery certificate to such effect from the presiding officer of the respective tribunal; attachment of the secured properties towards the dues to the bank: injunctive orders restraining the debtors from alienating, transferring or disposing of such secured properties; appointment of receivers and/or local commissioners with respect to such secured properties and distribution of proceeds from sale of such secured properties towards dues. Pursuant to the recovery certificate being issued, the recovery officer of the respective debt recovery tribunal shall effectuate the final orders of the debt recovery tribunal in the application. Unless such final orders of the debt recovery tribunal have been passed with the consent of the parties to an application, an appeal may be filed against such final orders of the debt recovery tribunal before the debt recovery appellate tribunal, the appellate authority constituted under the RDDBFI Act.

Enforcement of Security Interest

The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, as amended by the Enforcement of Security Interest and Recovery of Debts Laws and Miscellaneous Provisions (Amendment) Act, 2016 ("**SARFAESI Act**") provides for the enforcement of security interest without the intervention of the courts. Under the provisions of the SARFAESI Act, a secured creditor can recover dues from its borrowers by taking any of the measures as provided therein, including (i) taking possession of the secured assets or (ii) taking over the management of the secured assets. Rights, with respect to the enforcement of security interest, under the SARFAESI Act cannot be enforced unless the account of the borrower has been classified as a non performing asset in the books of account of the secured creditor in accordance with the directions or guidelines issued by the RBI or any other applicable regulatory authority. In accordance with the Enforcement of Security Interest and Recovery of Debts Laws and Miscellaneous Provisions (Amendment) Act, 2016, the definition of debt has been expanded to include fund raising through debt securities and consequently, the definition of a secured creditor under the SARFAESI Act has been expanded to include a debenture trustee appointed by the company for debt securities.

The SARFAESI Act also provides for sale of financial assets by banks and financial institutions to asset reconstruction companies. The financial assets can be sold to asset reconstruction companies in accordance with the extant guidelines and prudential norms issues by the RBI. Consideration for the sale may be in the form of cash, bonds or debentures or security receipts or pass through or pay through certificates issued by the asset reconstruction company or trusts set up by it to acquire the financial assets.

In the event that the secured creditor is unable to recover the entire sum due by exercise of the remedies under the SARFAESI Act in relation to the assets secured, such secured creditor may approach the relevant court for the recovery of the balance amounts. A secured creditor may also simultaneously pursue its remedies under the SARFAESI Act.

Insolvency and Bankruptcy

The Insolvency and Bankruptcy Code, 2016 ("**IBC**") was enacted and notified in the Gazette of India on May 5, 2016. The IBC became a single law that deals with insolvency and bankruptcy - consolidating and amending various laws relating to reorganization and insolvency resolution. The IBC covers individuals, companies, limited liability partnerships, partnership firms and other legal entities as may be notified, except the financial service providers and is aimed at creating an overarching framework to make it easier for sick companies to either wind up their businesses or engineer a turnaround, and for investors to exit. The salient features of the IBC are as follows:

- The IBC provides for a clear, coherent and speedy process for early identification of financial distress and resolution of companies and limited liability entities if the underlying business is found to be viable. Under the provisions of the IBC, insolvency resolution can be triggered at the first instance of default and the process of insolvency resolution has to be completed within stipulated time limit.

- For individuals, the IBC provides for two distinct processes, namely — "Fresh Start" and "Insolvency Resolution" and lays down the eligibility criteria for the debtor for the purposes of making an application for a "fresh start" process.

- The National Company Law Tribunal ("**NCLT**") and the Debt Recovery Tribunal ("**DRT**") are designated as the adjudicating authorities for corporate persons and firms and individuals, respectively, for resolution of insolvency, liquidation and bankruptcy.

- The IBC also provides for establishing the Insolvency and Bankruptcy Board of India for regulation of insolvency professionals, insolvency professional agencies and information utilities and prescribes a timeline of 180 days for the insolvency resolution process, which begins from the date the application is admitted by the NCLT. During this period, the creditors and the debtor shall negotiate and finalize a resolution plan (accepted by 75% of the financial creditors) and in the event, they fail, the debtor is placed in liquidation and the moratorium lifted. The IBC stipulates an interim-moratorium period which would commence after filing of the application for a fresh start process and shall cease to exist after a period of 180 days from the date of application. During such period, all legal proceedings against such debtor should be stayed and no fresh suits, proceedings, recovery or enforcement action may be initiated against such debtor. However, the IBC has also imposed certain restrictions on the debtor during the moratorium period such as the debtor shall not be permitted to act as a director of any company or be involved in the promotion or management of a company during the moratorium period.

- Insolvency professionals will assist in the completion of insolvency resolution, liquidation and bankruptcy proceedings envisaged in the IBC. Insolvency professional agencies will develop professional standards, code of ethics and will be first level regulators for insolvency professionals leading to the development of a competitive industry for such professionals. Information utilities will collect, collate, authenticate and disseminate financial information to facilitate such proceedings.

- The IBC also proposes to establish a fund, the Insolvency and Bankruptcy Fund of India for the purposes of insolvency resolution, liquidation and bankruptcy of persons.

In 2017, pursuant to an amendment to the BR Act, the Central Government has the power to authorize the RBI to issue directions to one or more banking companies to initiate insolvency resolution process in respect of a "default" under the IBC. The RBI has also been granted powers to issue directions to banks for resolution of stressed assets.

Revised Framework on Resolution of Stressed Assets

The RBI has, by its circular dated February 12, 2018 established a new regulatory framework for resolution of stressed assets ("**Revised Framework**"). Pursuant to the Revised Framework, existing guidelines and schemes for debt resolution such as CDR, Flexible Structuring of Existing Long Term Project Loans, Strategic Debt Restructuring, Change in Ownership Outside the Strategic Debt Restructuring and the Scheme for Sustainable Restructuring of Stressed Asset have been withdrawn (hereinafter collectively referred to as the "**Old Schemes**" and the circular/guidelines under which such Old Schemes were issued are referred to as the "**Old Circulars**"). In addition, the guidelines/framework for Joint Lenders' Forum has also been discontinued.

Early Identification and Reporting

The Revised Framework requires lenders to identify incipient stress in loan dues, immediately on default and classify such loans under prescribed categories. Lenders are required to report all borrower entities in default (with aggregate exposure of Rs. 50 million and above on a weekly basis, beginning February 23, 2018).

The Revised Framework also provide for an indicative list of signs of financial difficulty including: (a) irregularities in cash credit/overdraft accounts such as inability to maintain stipulated margin basis or drawings exceeding sanctioned limits, periodic interest debited remaining unrealized; (b) failure/anticipated failure to make timely payment of installments of principal and interest on term loans; (c) delay in meeting commitments towards payments of installments due, crystallized liabilities under LC/BGs, including others; (d) Excessive leverage; (e) inability to adhere to financial loan covenants; and (f) failure to pay statutory liabilities, non-payment of bills to operational creditors.

Resolution Plan

The Revised Framework requires all lenders, including us, to put in place policies, approved by the board of directors of the lender, for resolution of stressed assets under the Revised Framework, including the timelines for resolution. As soon as there is a default in the borrower entity's account with any lender, all lenders, singly or jointly, are required to initiate steps to cure the default. The resolution plan may involve any actions / plans / reorganization including, but not limited to, regularization of the account by payment of all over dues by the borrower entity, sale of the exposures to other entities / investors, change in ownership, or restructuring.

The Revised Framework also prescribes additional conditions for "large" accounts (i.e. accounts where the aggregate exposure to lenders is Rs. 1 billion and above) and requires an independent credit evaluation of the residual debt (i.e., aggregate debt envisaged to be held by all the lenders as per the proposed resolution plan) by credit rating agencies and only resolution plans that acquire a minimum credit rating shall be considered for implementation

Specifically, in respect of accounts to which the lenders have an aggregate exposure of more than Rs. 20 billion, the lenders are required to implement a resolution plan within 180 days of March 1, 2018 ("**Reference Date**"), if the default exists as of the Reference Date or within 180 days of the default. The lenders shall file an insolvency application, singly or jointly, under the Insolvency and Bankruptcy Code, 2016 within 15 days from the expiry of the timelines mentioned above.

Asset Classification under the Revised Framework

While there is no change in the manner of classification of stressed assets and the Lenders are required to continue classifying the stressed assets as special mention accounts ("SMA") as per the following categories:

SMA Sub-categories	Basis for classification — Principal or interest payment or any other amount wholly or partly overdue (Default) between
SMA-0	1-30 days
SMA-1	31-60 days
SMA-2	61-90 days

In case of restructuring, the accounts classified as 'standard' shall be immediately downgraded as NPAs i.e., 'sub-standard' to begin with. The NPAs, upon restructuring, would continue to have the same asset classification as prior to restructuring. Such accounts may be upgraded only when all the outstanding loan/facilities in the account demonstrate 'satisfactory performance' (i.e., payments in respect of the borrower entity are not in default at any point of time) during the 'specified period' as defined in the Revised Framework. For large accounts (i.e. where the aggregate exposure of the lenders is more than Rs. 1 billion), any upgrade shall be subject to additional requirement of an 'investment grade' credit rating of the borrower's credit facilities.

Further, if the satisfactory performance is not demonstrated during the 'specified period', the account shall, immediately on default, be reclassified as per the repayment schedule that existed before the restructuring. Any future upgrade for such accounts shall be contingent on implementation of a fresh resolution plan and demonstration of satisfactory performance thereafter.

The provisioning in respect of exposure to borrower entities against which insolvency applications are filed under the IBC shall be as per their asset classification in terms of the Prudential Norms, as amended from time to time.

Banking Ombudsman

The Banking Ombudsman Scheme, 2006 provides the extent and scope of the authority and functions of the Banking Ombudsman for redressal of grievances against deficiency in banking services, concerning loans and advances and other specified matters. On February 3, 2009, this scheme was amended to provide for revised procedures for redressal of grievances by a complainant. The banking ombudsman receive and consider complaints relating to the deficiencies in banking or other services filed scheme and facilitate satisfaction or settlement by agreement or through conciliation and mediation between the bank concerned and aggrieved parties, or by passing an award in accordance with the scheme.

The RBI by a press release dated May 11, 2015 has advised all public sector banks and some private sector and foreign banks to appoint an internal ombudsman. The internal ombudsman would be designated Chief Customer Service Officer ("**CCSO**"). The CCSO should not have worked in the bank in which he/she is appointed as CCSO. The RBI has taken this initiative to further boost the quality of customer service and to ensure undivided attention to resolution of customer complaints in banks. The RBI is yet to issue detailed operational guidelines in this regard.

Ownership restrictions

In terms of the FDI Policy, the total foreign ownership in a public sector bank cannot exceed 20.00% of its paid-up equity share capital, subject to government approval and provisions of the Banking Companies (Acquisition & Transfer of Undertakings) Acts 1970 ("**Banking Companies Act**"). This includes investment under the portfolio investment scheme as well. Further, the Banking Companies Act requires that shareholding of the Government of India in all corresponding new banks, including the Issuer, at all times be a minimum of 51.00%. Further, not more than 20.00% of the shareholding of all corresponding new banks, including the Issuer, can be held by foreign entities. Raising of further share capital is permitted under the Banking Companies Act subject to consultation with the RBI and obtaining the prior approval of the Government.

SEBI has through circular dated April 5, 2018, put in place a new system for monitoring foreign investment limits in listed Indian companies, and by its circular dated May 17, 2018, SEBI directed that the system be operational from June 1, 2018. Accordingly, the listed Indian company shall have to appoint any one depository as its designated depository to facilitate monitoring of the foreign investment limits.

Restrictions on payment of dividends

Payment of dividends by banks is subject to restrictions under the BR Act. It states that no banking company shall pay any dividend on its shares until all its capitalized expenses (including preliminary expenses, organization expenses, share-selling commissions, brokerage, amounts of losses incurred and any other item of expenditure not represented by tangible assets) have been completely written off. In addition, the BR Act requires every banking company to create a reserve fund and, out of the balance of the profit of each year as disclosed in the profit and loss account, transfer a sum equivalent to not less than 25% of such profit to the reserve fund before declaring any dividend.

On May 4, 2005, the RBI issued guidelines on Declaration of Dividends by Banks state that in order for banks to declare dividends, they must have:

- CRAR of at least 9.00% for preceding two completed years and the accounting year for which it proposes to declare dividend; and

- Net NPA less than 7.00%.

In case the bank does not meet the above CRAR norm, but has a CRAR of at least 9.00% for the accounting year for which it proposes to declare dividend, it would be eligible to declare dividend provided its Net NPA ratio is less than 5.00%. The bank should also comply with prevailing regulations / guidelines issued by RBI, including creating adequate provisions for impairment of assets and staff retirement benefits, transfer of profits to statutory reserves. The proposed dividend should be payable out of the current year's profit. The RBI should not have placed any explicit restrictions on the bank for declaration of dividends. Further, the Master Circular on Basel III Capital Regulations as amended and updated from time to time, also regulates the distribution of dividends by banks.

Regulations governing banking units in International Financial Services Centers in India

In March 2015, the Reserve Bank of India issued guidelines relating to Indian banks setting up banking units in International Financial Services Centers in India. According to the guidelines, public and private sector banks dealing in foreign exchange would be permitted to set up one banking unit in each international financial services center in India. Banks will have to take prior approval of the Reserve Bank of India for opening a banking unit, and this will be treated on par with a foreign branch of an Indian bank. The minimum capital requirement for these banking units would be U.S.$20 million. Funds raised by the banking units, including borrowings in foreign currency, would have to be from persons not resident in India. Deployment of funds can be with residents in India as well as non-resident in India. Liabilities of these units would be exempted from cash reserve ratio and the statutory liquidity ratio. The banking units will have to maintain the minimum regulatory capital as prescribed by the Reserve Bank of India and prudential norms applicable to overseas branches of Indian banks would apply to these banking units. The banking units would operate and maintain their balance sheet only in foreign currency and will not be allowed to deal in Indian rupees, except having a special rupee account for administrative expenses.

A scheme was formulated for setting up of the Indian Financial System Code, where the permitted activities for the International Banking Units to engage in were aforesaid mentioned in the notification dated April 1, 2015 as updated on May 17, 2018 which also includes prudential regulations and exposure ceiling limit for International Banking Units which shall be 5.0% of the parent bank's Tier 1 capital in case of a single borrower and 10.0% of parent bank's Tier 1 capital in the case of a borrower group. The notification consists of two schemes. First, the scheme for setting up of Indian Financial System Code Banking Units by the Indian banks and second, the scheme for setting up of Indian Financial System Code Banking Units by foreign banks that have a presence in India.

The SEBI (IFSC) Guidelines were promulgated to regulate financial services relating to securities in an international financial services centre ("**IFSC**") created under Section 18(1) of the Special Economic Zones Act, 2005. The guidelines apply to any entity that intends to operate in an IFSC to render financial services relating to securities market, and prescribe the eligibility and shareholding limit for stock exchanges, clearing corporations and depositories. The guidelines also prescribe conditions to be complied with for issuing capital in an IFSC. The listing of the Notes is in compliance with the SEBI (IFSC) Guidelines, 2015, as amended from time to time.

Pursuant to the aforesaid guidelines, SEBI issued a circular dated March 17, 2016 clarifying that all recognized associations (commodity derivatives exchanges) under the Forward Contracts (Regulation) Act, 1952 are deemed to be recognized stock exchanges under the Securities Contracts (Regulation) Act, 1956. In August 2017, SEBI amended the SEBI (IFSC) Guidelines, bringing changes to credit rating requirements, provisions regarding agreements with depositories and custodians, and the reporting of financial instruments. On November 26, 2018, SEBI introduced operating guidelines for setting up of alternate investment funds in IFSCs.

Implementation of Indian Accounting Standards ("Ind AS")

The MCA, in its press release dated January 18, 2016, issued a roadmap for the implementation of Ind AS converged with the International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board, with certain carve-outs for scheduled commercial banks, insurance companies and non-banking financial companies ("**2016 roadmap**"). The 2016 roadmap required such institutions to prepare Ind AS based financial statements for accounting periods commencing on or after April 1, 2018, and to prepare comparative financial information for accounting periods commencing on or after April 1, 2017. MCA notified the Companies (Indian Accounting Standards) Rules, 2015 on February 16, 2015, pursuant to which the banking companies were exempted from complying with Ind AS for preparation of financial statements. However, in terms of the MCA press release dated January 18, 2016, scheduled commercial banks were required to prepare Ind AS based financial statements on consolidated and standalone basis in relation to accounting periods beginning from April 1, 2018 onwards, with comparatives for the period ending March 31, 2018 or thereafter and not even voluntarily before that.

The RBI, in its circular dated February 11, 2016, required all scheduled commercial banks to comply with Ind AS for financial statements for the periods stated above. It also advised scheduled commercial banks to set up a Steering Committee headed by an official of the rank of an Executive Director (or equivalent) comprising members from cross-functional areas of the bank to immediately initiate the Ind AS implementation process. On June 23, 2016, RBI directed all scheduled commercial banks (excluding regional rural banks) to submit proforma Ind AS financial statements, for the half year ended September 30, 2016 by November 30, 2016, guided by the Ind AS notified by the MCA under the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) (Amendment) Rules, 2016. However, in April 2018, the RBI deferred the effective date for implementation of IndAS by one year. The RBI does not permit banks to voluntarily adopt Ind AS earlier. The new accounting standards are expected to change, among other things, the methodologies for estimating allowances for probable loan losses and classifying and valuing our investment portfolio, as well as our revenue recognition policy.

Recent Developments

SWIFT

In February 2018, the RBI prescribed several operational controls with regard to SWIFT along with timelines for implementation by banks. Further, banks were required to present to the board of directors the measures instituted/proposed to be instituted to secure ongoing compliance with the prescribed safeguards.

The Negotiable Instruments (Amendment) Act, 2018

Key amendments include provisions relating to empowering the Court to order payment of interim compensation, not exceeding 20% of the cheque amount, by the drawer of the cheque to the complainant;

Further, there are also provisions relating to empowering the Appellate Court to direct deposit of a minimum of 20% of the cheque amount by the drawer against the conviction.

Discontinuation of Letters of Credit by RBI

In March 2018, the RBI discontinued the issuance of letter of undertakings/letter of comforts for trade credits for imports into India by banks. Letters of credit and bank guarantees for trade credits for imports into India continue to be issued subject to compliance with RBI guidelines. The

The Specific Relief (Amendment) Act, 2018

The Parliament of India has passed the Specific Relief (Amendment) Act, 2018 to introduce significant amendments to the Specific Relief Act, 1963. These amendments are intended to have far reaching consequences, specifically for better enforcement of contracts, with a mechanism for expedited disposal of disputes involving infrastructure projects.

TERMS AND CONDITIONS OF THE 2022 NOTES

The U.S.$400,000,000 aggregate principal amount of 4.00% Notes due 2022 (the "**Notes**," which expression includes any further Notes issued pursuant to Condition 13 (*Further Issues*) and forming a single series therewith) of State Bank of India (the "**Issuer**"), acting through its London Branch, are constituted by a deed of covenant dated January 24, 2019 (as amended or supplemented from time to time, the "**Deed of Covenant**") entered into by the Issuer and are the subject of an agency agreement dated January 24, 2019 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, Citigroup Global Markets Europe AG as registrar (the "**Registrar**," which expression includes any successor registrar appointed from time to time in connection with the Notes), Citicorp International Limited as fiscal agent (the "**Fiscal Agent**," which expression includes any successor fiscal agent appointed from time to time in connection with the Notes), the transfer agents named therein (the "**Transfer Agents**," which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes) and the paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**," which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes). References herein to the "**Agents**" are to the Registrar, the Fiscal Agent, the Transfer Agents and the Paying Agents and any reference to an "Agent" is to any one of them. Certain provisions of these Conditions are summaries of the Agency Agreement and the Deed of Covenant and subject to their detailed provisions. The Noteholders (as defined below) have the benefit of the Deed of Covenant and are deemed to have notice of all the provisions of the Agency Agreement and the Deed of Covenant applicable to them. Copies of the Agency Agreement and the Deed of Covenant are available for inspection by Noteholders during normal business hours at the Specified Offices (as defined in the Agency Agreement) of each of the Agents, the initial Specified Offices of which are set out below.

1 Form, Denomination and Status

(a) *Form and denomination*: The Notes are in registered form in the denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (each, an "**Authorized Denomination**").

(b) *Status*: The Notes constitute direct, unconditional, unsubordinated and subject to the provisions of Condition 3 (*Negative Pledge*) unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations) of the Issuer from time to time outstanding.

2 Register, Title and Transfers

(a) *Register*: The Registrar will maintain a register (the "**Register**") in respect of the Notes in accordance with the provisions of the Agency Agreement. In these Conditions, the "**Holder**" of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly. A certificate (each, a "**Note Certificate**") will be issued to each Noteholder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.

(b) *Title*: The Holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note Certificate) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

(c) *Transfers*: Subject to paragraphs (f) (*Closed periods*) and (g) (*Regulations concerning transfers and registration*) below, a Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; provided, however, that a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a Holder are being transferred) the principal amount of the balance of Notes not transferred are Authorized Denominations. Where not all the Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Notes will be issued to the transferor.

(d) *Registration and delivery of Note Certificates*: Within five business days of the surrender of a Note Certificate in accordance with paragraph (c) (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

(e) *No charge*: The transfer of a Note will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(f) *Closed periods*: Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes.

(g) *Regulations concerning transfers and registration*: All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be made available at the specified office of the Registrar to any Noteholder who so requests.

3 Negative Pledge

(a) *Negative Pledge*: So long as any of the Notes remain outstanding, the Issuer will not, without:

(i) the approval of an Extraordinary Resolution; or

(ii) at the same time or prior thereto securing the Notes equally and rateably therewith,

create or permit to be outstanding any Encumbrance upon the whole or any part of its properties, assets or revenues to secure External Obligations.

(b) *Interpretation*: For the purposes of these Conditions:

"**Encumbrance**" means any mortgage, charge, pledge, hypothecation, lien, encumbrance or other security interest securing any obligation of any person or any other agreement or arrangement having the effect of conferring security;

"**External Obligations**" means all obligations, including guarantees, of the Issuer in respect of bonds, debentures, notes or other debt securities which by their terms (i) are payable in a currency other than Indian Rupees; and (ii) which are quoted, listed or ordinarily dealt in on any stock exchange or over-the-counter or other securities market outside India; and

"**Extraordinary Resolution**" means a resolution passed at a meeting of Noteholders (whether originally convened or resumed following an adjournment) duly convened and held in accordance with Schedule 6 (*Provisions for Meetings of the Noteholders*) of the Agency Agreement.

(c) *Meaning of "outstanding"*: For the purposes of these Conditions, a Note shall be considered to be "**outstanding**" unless one or more of the following events has occurred:

(i) it has been redeemed in full, or purchased under Condition 5(e) (*Redemption and Purchase — Purchase*), and in either case has been cancelled in accordance with Condition 5(f) (*Redemption and Purchase — Cancellation*);

(ii) the due date for its redemption in full has occurred and all sums due in respect of such Note (including all accrued interest) have been received by the Fiscal Agent and remain available for payment against presentation and surrender of the relevant Note Certificate; or

(iii) all claims for principal and interest in respect of such Note have become void under Condition 9 (*Prescription*).

provided, however, that for the purposes of (i) ascertaining the right to attend and vote at any meeting of Noteholders and (ii) Condition 12 (*Meetings of Noteholders; Modifications*) and Schedule 6 (*Provisions for Meetings of the Noteholders*) to the Agency Agreement, those Notes (if any) which are for the time being held by any person (including but not limited to the Issuer or any subsidiary) for the benefit of the Issuer or any subsidiary shall (unless and until ceasing to be so held) be deemed not to remain outstanding.

4 Interest

The Notes bear interest from January 24, 2019 (the "**Issue Date**") at the rate of 4.00% per annum (the "**Rate of Interest**"), payable semi-annually in arrear on January 24 and July 24 in each year (each, an "**Interest Payment Date**"), commencing July 24, 2019, subject as provided in Condition 6 (*Payments*). Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused or unless a default is otherwise made in respect of payment, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (b) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

If interest is required to be paid in respect of a Note on any other date, it shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a number equal to the Authorized Denomination of such Note divided by the Calculation Amount, where "**Calculation Amount**" means U.S.$1,000 and "**Day Count Fraction**" means, in respect of any period, the number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 months of 30 days each), and in the case of an incomplete month, the number of days elapsed.

5 Redemption and Purchase

(a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on January 24, 2022 (the "**Maturity Date**"), subject as provided in Condition 6 (*Payments*).

(b) *Redemption for tax reasons*: At any time prior to the Maturity Date, the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 nor more than 60 days' notice to the Fiscal Agent and, in accordance with Condition 14 (*Notices*), the Noteholders (which notice shall be irrevocable) if:

(i) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws, regulations or rulings of India or the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws, regulations or rulings, which change or amendment becomes effective on or after January 16, 2019; and

(ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this paragraph (b), the Issuer shall deliver to the Fiscal Agent (A) a certificate signed by an authorized officer of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and (B) an opinion of independent legal advisors of recognized standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. Notes redeemed pursuant to this paragraph (b) will be redeemed at 100% of their principal amount together with interest accrued to (but excluding) the date of redemption.

(c) Redemption for Change of Control:

(i) Following the occurrence of a Change of Control (as defined below), each Noteholder will have the right (the "**Change of Control Put Right**"), at such Noteholder's option, to require the Issuer to redeem in whole but not in part such Noteholder's Notes on the Change of Control Put Date (as defined below) at 101% of their principal amount together with interest accrued to such date. To exercise such Change of Control Put Right, the Holder of the relevant Note must complete, sign and deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable during normal business hours from the specified office of any Paying Agent (a "**Change of Control Put Exercise Notice**"), together with the Certificate evidencing the Note to be redeemed, by not later than 30 days following a Change of Control or 30 days following the date upon which notice thereof is given to the Noteholders (in accordance with Condition 14 (*Notices*)) by the Issuer, whichever is later. The "**Change of Control Put Date**" shall be the 14th day after the expiry of the 30-day period following a Change of Control or following the date upon which notice thereof is given to the Noteholders (in accordance with Condition 14 (*Notices*)) by the Issuer, as the case may be.

(ii) A Change of Control Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Notes which form the subject of the Change of Control Put Exercise Notice delivered as aforesaid on the Change of Control Put Date.

(iii) No Paying Agent shall be required to take any steps to ascertain whether a Change of Control or any event which could lead to the occurrence of a Change of Control has occurred.

(iv) Not later than two days after becoming aware of a Change of Control, the Issuer shall procure that notice shall be given to the Noteholders in accordance with Condition 14 (*Notices*) stating:

(A) the date of such Change of Control and, briefly, the events causing such Change of Control;

(B) the date by which the Change of Control Put Exercise Notice must be given;

(C) the Change of Control Put Date;

(D) the names and addresses of all Paying Agents;

(E) the procedures that Noteholders must follow and the requirements that Noteholders must satisfy in order to exercise the Change of Control Put Right;

(F) that a Change of Control Put Exercise Notice, once validly given, may not be withdrawn; and

(G) the aggregate principal amount of the Notes outstanding as of the latest practicable date prior to the publication of such notice regarding the Change of Control.

(v) For the purpose of these Conditions, a "**Change of Control**" occurs when the Government of India, directly or indirectly through another government entity, ceases to be the owner of, or have the voting power over, 51.0% or more of the Issuer's issued share capital giving the right to vote at a general meeting.

(d) *No other redemption*: The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) (*Scheduled redemption*) to (c) (*Redemption for Change of Control*) above.

(e) *Purchase*: The Issuer or any of its subsidiaries may at any time purchase Notes in the open market or otherwise and at any price.

(f) *Cancellation*: All Notes so redeemed or purchased by the Issuer or any of its subsidiaries shall be cancelled and may not be reissued or resold.

6 Payments

(a) *Principal*: Payments of principal shall be made by U.S. dollar check drawn on, or, upon application by a Holder of a Note to the Specified Office of the Fiscal Agent not later than the 15th day before the due date for any such payment, by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(b) *Interest*: Payments of interest shall be made by U.S. dollar check drawn on, or upon application by a Holder of a Note to the Specified Office of the Fiscal Agent not later than the 15th day before the due date for any such payment, by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(c) *Payments subject to fiscal laws*: All payments in respect of the Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any law implementing such an intergovernmental agreement). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(d) *Payments on business days*: Where payment is to be made by transfer to a U.S. dollar account, payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated and, where payment is to be made by U.S. dollar check, the check will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a business day or (B) a check mailed in accordance with this Condition 6 arriving after the due date for payment or being lost in the mail. In this paragraph, "**business day**" means any day on which banks are open for general business (including dealings in foreign currencies) in New York City and London and, in the case of surrender (or, in the case of part payment only, endorsement) of a Note Certificate, in the place in which the Note Certificate is surrendered (or, as the case may be, endorsed).

(e) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.

(f) *Record date*: Each payment in respect of a Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the 15th day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Note is to be made by check, the check will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

7 Taxation

(a) *Payment without withholding*: All payments of principal and interest in respect of the Notes by or on behalf of the Issuer will be made free and clear of, and without withholding or deduction for or on account of any present or future taxes, assessments or other governmental charges or duties of whatever nature imposed, levied, collected, withheld or assessed by or within, or on behalf of India or the United Kingdom or any political subdivision or any authority thereof or therein having power to tax (collectively, "**Taxes**"), unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the Noteholders after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note:

(i) to, or to a third party on behalf of, a holder who is liable or subject to such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with the jurisdiction imposing such tax, duty, assessment or governmental charge, other than the mere holding or deemed holding of such Note; or

(ii) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 7.

If the Issuer becomes subject at any time to any taxing jurisdiction other than India and/or the United Kingdom, references in these Conditions to India and the United Kingdom shall be construed as references to India and the United Kingdom and/or such other jurisdiction.

Except as specifically provided in these Conditions, the Issuer will not be required to make any payment with respect to any tax, duty, assessment or other governmental charge imposed by any government or any political subdivision or taxing authority.

For purposes of this Condition 7:

"**Relevant Date**" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by a Paying Agent or the Registrar, as the case may be, on or prior to such due date, it means that the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14.

8 Events of Default

If any of the following events (each, an "**Event of Default**") shall occur:

(a) a default is made in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of seven days in the case of principal and 14 days in the case of interest; or

(b) the Issuer fails to perform or observe any of its other obligations under the Notes or the Deed of Covenant and the failure continues for a period of 30 days; or

(c) (i) any other present or future Indebtedness for Borrowed Money of the Issuer becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer, or (ii) any such Indebtedness for Borrowed Money is not paid when due or, as the case may be, within any applicable grace period, or (iii) the Issuer fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any Indebtedness for Borrowed Money other than in circumstances where (A) the Issuer is contesting in good faith in appropriate proceedings the fact that any such amount is due or (B) the Issuer is prohibited from making payment of any such amount by the order of a court having appropriate jurisdiction, provided that the aggregate amount outstanding of the relevant Indebtedness for Borrowed Money or amounts payable under the guarantees and/or indemnities in respect of one or more events mentioned above in this paragraph (c) exceed U.S.$25,000,000 or its equivalent in other currencies on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by an independent bank of international repute in New York City on the day on which this paragraph operates; or

(d) any order of the Government of India is made for the liquidation or winding up (as determined pursuant to the SBI Act) of the Issuer; or

(e) the Issuer ceases or threatens to cease to carry on the whole or substantially all of its business or the Issuer stops or threatens to stop or suspend payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due; or

(f) the Issuer (or its directors) makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, the Issuer's creditors generally or any meeting is convened to consider a proposal for an arrangement or composition with the Issuer's creditors generally; or

(g) a moratorium is agreed or declared by the Issuer in respect of any Indebtedness for Borrowed Money (including any obligation arising under any guarantee) of the Issuer; or

(h) the Issuer is or becomes entitled or subject to or is declared by law or otherwise to be protected by, immunity (sovereign or otherwise) and Condition 17(g) (*Waiver of immunity*) is held to be invalid or unenforceable; or

(i) a distress, attachment, execution or other legal process is levied or enforced upon or against any material part of the property, assets or revenues of the Issuer and is not either discharged or stayed within 120 days (or such later period as Noteholders holding not less than one quarter of the aggregate principal amount of the outstanding Notes may agree in light of the jurisdiction concerned) unless, and for so long as, Noteholders holding not less than one quarter of the aggregate principal amount of the outstanding Notes are satisfied that such levy or enforcement is being contested in good faith and by appropriate proceedings; or

(j) any event occurs, which, under the laws of India, has or may have an analogous effect to any of the events referred to in paragraphs (e) to (g),

then Noteholders holding not less than one quarter of the aggregate principal amount of the outstanding Notes may, by written notice addressed to the Issuer and delivered to the Issuer, declare the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount, together with accrued interest, without further action or formality. Notice of any such declaration shall promptly be given to all other Noteholders by the Issuer in accordance with Condition 14 (*Notices*).

For the purposes of this Condition 8:

"**Indebtedness for Borrowed Money**" means (i) any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other debt securities or (ii) any liability in the nature of a borrowing or (iii) any liability under or in respect of any acceptance or acceptance credit.

"**SBI Act**" means the State Bank of India Act, 1955, as amended.

9 Prescription

Claims in respect of amounts due in respect of the Notes shall become void unless made within ten years in the case of principal and five years in the case of interest from the appropriate Relevant Date.

10 Replacement of Note Certificates

If any Note Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Note Certificates must be surrendered before replacements will be issued.

11 Agents

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

The initial Agents and their initial Specified Offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar, fiscal agent and additional or successor paying agents and transfer agents; *provided, however*, that the Issuer shall at all times maintain (a) a fiscal agent and a registrar, (b) for so long as the Notes are listed on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and it is a condition of the maintenance of such listing, a paying agent and a transfer agent in Singapore, and (c) a paying agent in a Member State in the European Union that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other law implementing or complying with or introduced in order to conform to such Directive.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders.

For so long as the Notes are listed on the SGX-ST and INX, and the rules of the SGX-ST and the INX so require, the Issuer shall appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, in the event that the Notes are issued in definitive form. In the event that the Notes are issued in definitive form, and unless the Issuer obtains an exemption from the SGX-ST, the Issuer will make an announcement of such issue through the SGX-ST and INX, and such announcement will include all material information with respect to the delivery of the Notes in definitive form, including details of the paying agent in Singapore.

12 Meetings of Noteholders; Modifications

(a) *Meetings of Noteholders*: The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by the Issuer upon the request in writing of Noteholders holding not less than one tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, one or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided,* *however*, that certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of payments under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a "**Reserved Matter**")) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more persons holding or representing not less than two thirds or, at any adjourned meeting, one third of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of Noteholders holding at least 90% of the outstanding principal amount of the Notes who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) *Modification*: The Notes, these Conditions and the Deed of Covenant may be amended without the consent of the Noteholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

13 Further Issues

The Issuer may from time to time, without the consent of the Noteholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes, provided that if any such further notes are not fungible with the Notes for U.S. federal income tax purposes, such further notes will have a different ISIN/CUSIP than those of the Notes.

14 Notices

Notices to the Noteholders will be sent to them at their respective addresses on the Register by first class mail (or its equivalent) or (if posted to an overseas address) by airmail or published in a leading newspaper having general circulation in Singapore or, if such publication is not practicable, in an English language newspaper having general circulation in Asia. Any such notice shall be deemed to have been given on the fourth day after the date of mailing or, in the case of publication, on the date of such publication or, if published more than once, on the first date on which it was published.

15 Provision of Information

The Issuer shall, during any period in which it is not subject to and in compliance with the reporting requirements of Section 13 or 15(d) of the United States Securities Exchange Act of 1934 (the "**Exchange Act**") nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, duly provide to any Holder of a Note which is a "restricted security" within the meaning of Rule 144(a)(3) under the United States Securities Act of 1933 (the "**Securities Act**") or to any prospective purchaser of such securities designated by such Holder, upon the written request of such Holder or (as the case may be) prospective Holder addressed to the Issuer and delivered to the Issuer, the information specified in Rule 144A(d)(4) under the Securities Act. The Contracts (Rights of Third Parties) Act 1999 applies to this Condition.

16 Currency Indemnity

If any sum due from the Issuer in respect of the Notes or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

17 Governing Law and Jurisdiction

(a) *Governing law*: The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by, and shall be construed in accordance with, English law.

(b) *English courts*: The courts of England have exclusive jurisdiction to settle any disputes arising from or in connection with the Notes (including any dispute relating to any non-contractual obligations arising out of or in connection with the Notes) (a "**Dispute**").

(c) *Appropriate forum*: The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

(d) *Rights of the Noteholders to take proceedings outside England*: Paragraph (b) (*English courts*) is for the benefit of the Noteholders only. As a result, nothing in this Condition 17 prevents any Noteholder from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.

(e) *Service of process*: The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to the Issuer at State Bank of India, London Branch, 15 King Street, London EC2V 8EA, United Kingdom. Nothing in this paragraph (e) shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition 17 applies to Proceedings in England and to Proceedings elsewhere.

(f) *Consent to enforcement, etc.*: The Issuer consents generally in respect of any Proceedings to the giving of any relief or the issue of any process in connection with such Proceedings, including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which is made or given in such Proceedings.

(g) *Waiver of immunity*: To the extent that the Issuer may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or its assets or revenues, the Issuer agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

18 Contracts (Rights of Third Parties) Act 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term or condition of the Notes except to the extent (if any) that the terms or conditions of the Notes expressly provides for such Act to apply to any of its terms or conditions.

TERMS AND CONDITIONS OF THE 2024 NOTES

The terms and conditions of the 2024 Notes will be identical to those under "Terms and Conditions of the 2022 Notes", with references to "Notes" in that section construed as references to the 2024 Notes, and except as set out below.

1. The principal amount of the 2024 Notes shall be U.S.$850,000,000.

2. The rate of interest of the 2024 Notes shall be 4.375% per annum.

3. Unless previously redeemed or purchased and called as provided in Condition 5, the Issuer will redeem the 2024 Notes at their principal amount on January 24, 2024.

TAXATION

The information provided below does not purport to be a comprehensive description of all tax considerations that may be relevant to a decision to purchase the Notes. In particular, the information does not consider any specific facts or circumstances that may apply to a particular purchaser. Neither these statements nor any other statements in this Offering Memorandum are to be regarded as advice on the tax position of any Holder of the Notes or of any person acquiring, selling or otherwise dealing in securities or on any tax implications arising from the acquisition, sale or other dealings in the Notes. The statements do not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers of the Notes) may be subject to special rules.

Prospective purchasers of Notes are advised to consult their own tax advisors as to the tax consequences of the purchase, ownership and disposition of Notes, including the effect of any state or local taxes, under the tax laws of India, the U.S., the United Kingdom and each country of which they are residents or the countries of purchase, holding or disposition of Notes. Additionally, in view of the number of different jurisdictions where local laws may apply, this Offering Memorandum does not discuss the local tax consequences to a potential Holder, purchaser or seller arising from the acquisition, holding or disposition of the Notes in their country of residence and in the countries of which they are citizens or countries in which they purchase, hold or dispose of the Notes, other than in respect of certain Indian, U.S. and United Kingdom tax consequences discussed below. Prospective investors must, therefore, inform themselves as to any tax, exchange control legislation or other laws and regulations in force relating to the subscription, holding or disposition of the Notes at their place of residence and in the countries of which they are citizens or the countries of purchase, holding or disposition of the Notes.

Indian Taxation

*The following is a summary of the existing principal Indian tax consequences to investors who are non-residents of India ("**Non-resident Investors**") purchasing the Notes. The summary is based on existing Indian taxation law and practice in force at the date of this Offering Memorandum and is subject to change, possibly with retroactive effect. The summary does not constitute legal or tax advice and is not intended to represent a complete analysis of the tax consequences or a legal opinion under Indian law of the acquisition, ownership or disposition of the Notes. Prospective investors should, therefore, consult their own tax advisors regarding the Indian tax consequences, as well as the tax consequences under any other applicable taxing jurisdiction, of acquiring, owning and disposing of the Notes.*

Payments through Offshore Branches

There is currently no requirement to withhold Indian tax on interest payments made on the Notes by the Bank's offshore branches, if the amounts raised through these Notes are utilized outside India for the purposes of a business carried on by the Bank outside India or for the purposes of making or earning income from any source outside India. If and to the extent the amounts so raised are utilized in India, Indian tax consequences would be applicable as detailed under the paragraphs "*Withholding tax*" and "*Taxation of interest*," which are set forth below.

Payments through India

Any payments the Bank makes on the Notes, including additional amounts, are subject to the regulations of the RBI.

Withholding tax

There may be a requirement to withhold tax at the rate of 20% (plus applicable, surcharge, health, and education cess) on interest payments made on the Notes through India subject to and in accordance with the conditions contained in the Income Tax Act, 1961 and also subject to any lower rate of tax provided for by any applicable tax treaty. However, pursuant to Section 194LC of the Income Tax Act, the Notes will be subject to a reduced withholding tax rate of 5.0% (plus applicable surcharge, and health and education cess) if certain conditions are met. An applicable tax treaty may reduce such withholding tax liability to rates ranging from 0% to 20% (depending on the tax treaty), subject to fulfilment of the conditions prescribed therein and if the beneficial recipient has a tax residency certificate issued by the government of the jurisdiction of which the investor is a resident. To illustrate, the tax treaty with the U.S. generally provides for a reduced withholding tax rate of 15%, subject to fulfilment of the conditions prescribed therein.

Pursuant to the Terms and Conditions of the Notes, all payments of or in respect of principal and interest on the Notes will be made free and clear of and without withholding or deduction on account of any present or future taxes within India unless it is required by law, in which case, pursuant to Condition 7, the Bank will, subject to certain exemptions, pay additional amounts as may be necessary in order that the net amount received by the Securityholders after the withholding or deduction shall equal the amounts which would have been receivable in respect of the Notes in the absence of the withholding or the deduction, subject to certain exceptions.

Taxation of interest

A Non-resident Investor may be liable to pay tax at the rate of 5% under Section 115A of the Income Tax Act, 1961 (plus applicable surcharge, health, and education cess) on interest paid on the Notes through India, subject to and in accordance with the existing conditions contained in the Income Tax Act, 1961. In the case the relevant criteria in Section 115A (read together with Section 194LC) is not fulfilled, the tax rate on interest under the Income Tax Act is 20% (plus surcharge and health and education cess). However, an applicable tax treaty may reduce such tax liability to rates ranging from 0% to 20% (depending on the tax treaty), subject to fulfilment of the conditions prescribed therein. A Non-resident Investor would be obligated to pay such income tax in an amount equal to, or would be entitled to a refund of, as the case may be, any difference between amounts withheld in respect of interest paid on the Notes through India and its ultimate Indian tax liability for such interest, subject to and in accordance with the provisions of the Income Tax Act, 1961.

Taxation of gains arising on disposition

Any gains arising to a Non-resident Investor from disposition of the Notes held (or deemed to be held) as a capital asset will generally be chargeable to income tax in India if the Notes are regarded as property situated in India. A Non-resident Investor generally will not be subject to income tax in India from a disposition of the Notes held as a capital asset provided the Notes are regarded as being situated outside India. The issue as to where the Notes should be properly regarded as situated is not free from doubt. The ultimate decision, however, will depend on the view taken by Indian taxation authorities on the position with respect to the situs of the rights being offered in respect of the Notes. There is a possibility that the Indian tax authorities may treat the Notes as being situated in India as the Bank is incorporated in and resident in India.

If the Notes are regarded as situated in India by the Indian tax authorities, upon disposition of a Note:

(i) a Non-resident Investor who has held the Notes for a period of more than 36 months preceding the date of their dispositions, would be liable to pay capital gains tax at rates ranging up to 10% of the capital gains (plus applicable surcharge, and health and education cess;

(ii) a Non-resident Investor who has held the Notes for 36 months or less would be liable to pay capital gains tax at rates ranging up to 40% of the capital gains (plus applicable surcharge, health, and education cess), depending on the legal status of the Non-resident Investor, and his taxable income in India; and

(iii) any surplus realized by a Non-resident Investor from a disposition of the Notes held as stock-in-trade would be subject to income tax in India to the extent, if any, that the surplus is attributable to a "business connection in India" or, where a tax treaty applies, to a "permanent establishment" in India of the Non-resident Investor. A Non-resident Investor would be liable to pay Indian tax on the gains which are so attributable at a rate of tax ranging up to 40% (plus applicable surcharge, education cess and secondary and higher education cess), depending on the legal status of the Non-resident Investor and his taxable income in India, subject to any lower rate provided for by a tax treaty.

The taxation, if any, of capital gains would also depend upon the provisions and/or benefits available under the relevant tax treaty, subject to fulfilment of the conditions prescribed therein.

Taxation of deemed Income

As a measure to prevent laundering of unaccounted income, the Income Tax Act provides that any person receiving certain specified assets (including the Notes) at a price less than their fair market value, shall be subject to income tax in India on the benefit accruing to him. Tax shall be payable at the rates applicable for the regular income. However, it may be noted that this provision would not be applicable if the asset is received from a relative or under a will or by way of inheritance or any other specific instances provided under section 56(2)(x) of the Income Tax Act.

In the instant case, in case a non-resident receives Notes under the above mechanism, the taxability of the same shall also be subject to the provisions of the applicable tax treaty, assuming the non-resident is entitled to claim benefits of the tax treaty

Non-resident Investors should consult their own tax advisors regarding the Indian tax consequences of disposing of the Notes.

Wealth Tax

No wealth tax is payable at present in relation to the Notes in India.

Estate Duty

No estate duty is payable at present in relation to the Notes in India. There are no inheritance taxes or succession duties currently imposed in respect of the Notes held outside India.

Gift Tax

No gift tax is payable at present in relation to the Notes in India.

Stamp Duty

A transfer of the Notes outside India will not give rise to any Indian stamp duty liability unless the Notes are brought into India. In the event the Notes are brought into India for enforcement or for any other purpose, the same will attract stamp duty as payable in the relevant state. This stamp duty will have to be paid within a period of three months from the date the Notes are first received in India.

United States Federal Income Tax Considerations

The following is a summary of certain U.S. federal income tax considerations relevant to U.S. Holders and Non-U.S. Holders (as defined below) acquiring, holding and disposing of Notes. This summary addresses only the U.S. federal income tax considerations for initial purchasers of Notes at their "issue price" (the first price at which a substantial amount of Notes are sold for money, excluding sales to underwriters, placement agents or wholesalers) that will hold the Notes as capital assets (generally, property held for investment). This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the "**U.S. Code**"), final, temporary and proposed U.S. Treasury regulations, and administrative and judicial interpretations, as well as on the income tax treaty between the United States and India (the "**Treaty**"), all as of the date hereof and all of which are subject to change, possibly with retroactive effect.

This summary does not discuss all aspects of U.S. federal income taxation that may be relevant to investors in light of their particular circumstances, such as investors subject to special tax rules (including, without limitation: (i) financial institutions; (ii) insurance companies; (iii) dealers or traders in stocks, securities, currencies or notional principal contracts; (iv) regulated investment companies; (v) real estate investment trusts; (vi) tax-exempt organizations; (vii) partnerships, pass-through entities or persons that hold Notes through pass-through entities; (viii) investors that hold Notes as part of a straddle, hedge, conversion, constructive sale or other integrated transaction for U.S. federal income tax purposes; (ix) U.S. Holders that have a functional currency other than the U.S. dollar and (x) U.S. expatriates and former long-term residents of the U.S.), all of whom may be subject to tax rules that differ significantly from those summarized below. This summary does not address U.S. federal estate, gift or alternative minimum tax considerations, the Medicare tax on net investment income or non-U.S., state or local tax considerations.

For the purposes of this summary, a "U.S. Holder" is a beneficial owner of Notes that is for U.S. federal income tax purposes (i) an individual who is a citizen or resident of the U.S., (ii) a corporation created in, or organized under the laws of, the U.S. or any state thereof, or the District of Columbia, (iii) an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source or (iv) a trust the administration of which is subject to the primary supervision of a U.S. court and which has one or more U.S. persons who have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for U.S. federal income tax purposes. A "Non-U.S. Holder" is a beneficial owner of Notes that is neither a U.S. Holder nor a partnership. If a partnership (or an entity treated as a partnership for U.S. federal income tax purposes) holds Notes, the tax treatment of a partner generally will depend on the status of the partner and the activities of the partnership. Partners of partnerships (or entities treated as a partnership for U.S. federal income tax purposes) holding Notes should consult their own tax advisers.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING, AND DISPOSING OF THE NOTES, INCLUDING THEIR ELIGIBILITY FOR THE BENEFITS OF THE TREATY, THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Payments of Interest

It is expected, and therefore this discussion assumes, that the Notes will be issued without "original issue discount" within the meaning of section 1272 of the U.S. Code.

Interest on a Note, including the payment of any additional amounts, will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, in accordance with the Holder's method of accounting for tax purposes. Interest paid by the Bank on the Notes will generally constitute income from sources outside the U.S. under the rules regarding the U.S. foreign tax credit allowable to a U.S. Holder (and the limitations imposed thereon).

Effect of Indian Withholding Taxes

As discussed in "*Taxation — Indian Taxation*," under current law payments of interest on the Notes to foreign investors may become subject to Indian withholding taxes. The maximum withholding tax rate for U.S. Holders eligible for the benefits of the Treaty is 15.0%. If such payments become subject to Indian withholding taxes, the Bank may become liable for the payment of additional amounts to U.S. Holders (see "*Terms and Conditions of the Notes — Taxation*") so that U.S. Holders receive the same amounts they would have received had no Indian withholding taxes been imposed.

For U.S. federal income tax purposes, U.S. Holders would be treated as having received the amount of Indian taxes withheld by the Bank with respect to a Note, and as then having paid over the withheld taxes to the Indian tax authorities. As a result of this rule, the amount of interest income included in gross income for U.S. federal income tax purposes by a U.S. Holder with respect to a payment of interest may be greater than the amount of cash actually received (or receivable) by the U.S. Holder from the Bank with respect to the payment. Subject to certain limitations, a U.S. Holder will generally be entitled to a credit against its U.S. federal income tax liability, or a deduction in computing its U.S. federal taxable income, for Indian income taxes withheld by the Bank. Interest generally will constitute a "passive category income" for purposes of the foreign tax credit. Prospective purchasers should consult their tax advisers concerning the foreign tax credit implications of the payment of these Indian taxes.

Sale or Other Disposition of Notes

A U.S. Holder's tax basis in a Note will generally be its cost. A U.S. Holder generally will recognize gain or loss on the sale or other disposition of a Note equal to the difference between the amount realized on the sale or other disposition and the tax basis of the Note. Except to the extent attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income, gain or loss recognized on the sale or other disposition of a Note will be capital gain or loss and generally will be treated as from U.S. sources for purposes of the U.S. foreign tax credit limitation. The deductibility of capital losses is subject to significant limitations.

Non-U.S. Holders

Subject to the discussion below on "*Backup Withholding and Information Reporting*", a Non-U.S. Holder generally should not be subject to U.S. federal income or withholding tax on any payments on the Notes and gain from the sale, redemption or other disposition of the Notes unless: (i) that payment and/or gain is effectively connected with the conduct by that Non-U.S. Holder of a trade or business in the U.S.; or (ii) in the case of any gain realized on the sale or exchange of a Note by an individual Non-U.S. Holder, that Holder is present in the U.S. for 183 days or more in the taxable year of the sale, exchange or retirement and certain other conditions are met.

Backup Withholding and Information Reporting

In general, payments of principal, interest and the proceeds of a sale, redemption or other disposition of the Notes, payable to a U.S. Holder by a U.S. paying agent or other U.S. intermediary, will be reported to the U.S. Internal Revenue Service (the "**IRS**") and to the U.S. Holder as may be required under applicable regulations.

Backup withholding may apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or otherwise fails to comply with the applicable backup withholding requirements. Certain U.S. Holders (including, among others, corporations) are not subject to backup withholding.

In general, payments of principal, interest and the proceeds of a sale, redemption or other disposition of, the Notes, payable to a Non-U.S. Holder by a U.S. paying agent or other U.S. intermediary will not be subject to backup withholding tax and information reporting requirements if appropriate certification (IRS Form W-8BEN or other appropriate form) is provided by the Non-U.S. Holder to the payor and the payor does not have actual knowledge that the certificate is false.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment generally may be refunded or claimed as a credit against the U.S. Holder's U.S. federal income tax liability, provided that the required information is furnished to the IRS. Prospective investors in the Notes should consult their own tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

Certain U.S. Holders may be required to report to the IRS certain information with respect to their beneficial ownership of the Notes. Investors who fail to report required information could be subject to substantial penalties. Prospective investors in the Notes should consult their own tax advisers as to reporting requirements resulting from their beneficial ownership of the Notes.

United Kingdom Taxation

The following applies only to persons who are the absolute beneficial owners of Notes and is a summary of current law and HM Revenue & Customs ("**HMRC**") published practice (which may not be binding on HMRC) in the United Kingdom (as applied in England and Wales) relating to certain aspects of United Kingdom taxation and is not intended to be exhaustive. References to "interest" refer to interest as that term is understood for United Kingdom tax purposes. Some aspects do not apply to certain classes of person (such as dealers, certain professional investors and persons connected with the Issuer) to whom special rules may apply. The following comments do not necessarily apply where the income is deemed for tax purposes to be the income of any other person. They relate only to the position of persons who hold their Notes as investments (regardless of whether the holder also carries on a trade, profession or vocation through a permanent establishment, branch or agency to which the Notes are attributable) and are the absolute beneficial owners thereof. In particular, Noteholders holding their Notes via a depositary receipt system or clearance service should note that they may not always be the beneficial owners thereof. The United Kingdom tax treatment of prospective investors depends on their individual circumstances and may be subject to change in the future. Prospective investors who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

Payment of interest on the Notes

The Bank, provided that it is and continues to be a bank within the meaning of section 991 of the Income Tax Act 2007 (the "**ITA**"), and provided that the interest on the Notes is paid in the ordinary course of its business within the meaning of section 878 of the ITA, will be entitled to make payments of interest on the Notes without withholding or deduction for or on account of United Kingdom income tax.

Payments of interest on the Notes by the Issuer may be made without deduction of or withholding on account of United Kingdom income tax provided that the Notes are and continue to be listed on a "recognized stock exchange" within the meaning of section 1005 of the ITA. The SGX-ST is a recognized stock exchange for these purposes. The Notes will satisfy this requirement if they are officially listed in Singapore in accordance with provisions corresponding to those generally applicable in EEA states and are admitted to trading by the Main Board of the SGX-ST.

Provided, therefore, that the Notes remain so listed, interest on the Notes will be payable without withholding or deduction on account of United Kingdom income tax whether or not the Bank is a bank for the purposes of section 991 ITA and whether or not the interest is paid in the ordinary course of its business.

In other cases, an amount must generally be withheld from payments of interest on the Notes that has a United Kingdom source on account of United Kingdom income tax at the basic rate (currently 20%), unless (i) another relief applies under domestic law; or (ii) the Issuer has received a direction to the contrary from HMRC in respect of such relief as maybe available pursuant to the provisions of any applicable double taxation treaty.

Interest on the Notes that constitutes United Kingdom source income for United Kingdom tax purposes may, as such, be subject to income tax by direct assessment even where paid without withholding. However, interest with a United Kingdom source received without deduction or withholding on account of United Kingdom tax will not be chargeable to United Kingdom tax in the hands of a Noteholder (other than certain trustees) who is not resident for tax purposes in the United Kingdom unless that Noteholder carries on a trade, profession or vocation in the United Kingdom through a United Kingdom branch or agency in connection with which the interest is received or to which the Notes are attributable (and where that Noteholder is a company, unless that Noteholder carries on a trade in the United Kingdom through a permanent establishment in connection with which the interest is received or to which the Notes are attributable), in which case (subject to exemption for interest received by certain categories of agent) tax may be levied on the United Kingdom branch, or agency or permanent establishment. There are exemptions for interest received by certain categories of agent (such as some brokers and investment managers). Noteholders should note that the provisions relating to additional amounts referred to in “Terms and Conditions of the Notes — Taxation” above would not apply if HMRC sought to assess directly the person entitled to the relevant interest to United Kingdom tax. The provisions of an applicable double taxation treaty may provide an exemption from, or reduction of, such United Kingdom tax liability for such Noteholders.

Stamp duty and stamp duty reserve tax

No United Kingdom stamp duty or stamp duty reserve tax is payable on the issue of the Notes or on a transfer of the Notes.

UNITED STATES ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with an investment in the Notes by a pension, profit sharing or other employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**") or Section 4975 of the U.S. Code.

THE FOLLOWING IS MERELY A SUMMARY, HOWEVER, AND SHOULD NOT BE CONSTRUED AS LEGAL ADVICE OR AS COMPLETE IN ALL RELEVANT RESPECTS. BECAUSE THIS SUMMARY WAS WRITTEN IN CONNECTION WITH THE MARKETING OF THE NOTE, IT IS NOT INTENDED TO BE USED AND CANNOT BE USED BY ANY NOTEHOLDER FOR THE PURPOSE OF AVOIDING PENALTIES AND/OR EXCISE TAX. ALL PURCHASERS ARE URGED TO CONSULT THEIR LEGAL ADVISORS BEFORE MAKING THEIR OWN INDEPENDENT DECISIONS AND INVESTING ASSETS OF AN EMPLOYEE BENEFIT PLAN IN THE NOTES.

Each fiduciary of a pension, profit-sharing or other employee benefit plan subject to Title I of ERISA (an "**ERISA Plan**") should consider the fiduciary standards of ERISA in the context of the ERISA Plan's particular circumstances before authorizing an investment in the Notes. Accordingly, among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the ERISA Plan.

Section 406 of ERISA and Section 4975 of the U.S. Code prohibit ERISA Plans, as well as individual retirement accounts and other plans subject to Section 4975 of the U.S. Code (together with ERISA Plans, "**Plans**"), from engaging in certain transactions involving "plan assets" with persons who are "parties in interest" under ERISA or "disqualified persons" under the U.S. Code with respect to such Plans (together, "**Parties in Interest**"). For example, if the Bank is a Party in Interest with respect to a Plan (either directly or by reason of its ownership of its subsidiaries), the purchase of the Notes by or on behalf of the Plan would likely be a prohibited transaction under Section 406(a)(1) of ERISA and Section 4975(c)(1) of the U.S. Code, unless relief were available under an applicable statutory or administrative exemption. Included among those exemptions are Section 408(b)(17) of ERISA and Section 4975(d)(20) of the U.S. Code (relating to certain transactions between a plan and a non-fiduciary service provider), prohibited transaction class exemption ("**PTCE**") 96-23 (for certain transactions determined by in-house asset managers), PTCE 95-60 (for certain transactions involving insurance company general accounts), PTCE 91-38 (for certain transactions involving bank collective investment funds), PTCE 90-1 (for certain transactions involving insurance company separate accounts) and PTCE 84-14 (for certain transactions determined by independent qualified professional asset managers). There can be no assurance that any of these class exemptions or any other exemption will be available with respect to any particular transaction involving the Notes. Parties in Interest that participate in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the U.S. Code. In addition, the persons involved in the prohibited transaction may have to rescind the transaction and pay an amount to the Plan for any losses realized by the Plan or profits realized by such persons and certain other liabilities could result that have a significant adverse effect on such persons.

Certain employee benefit plans, including governmental plans (as described in Section 3(32) of ERISA), certain church plans (as described in Section 3(33) of ERISA), and non-U.S. plans (as described in Section 4(b)(4) of ERISA) are not subject to the prohibited transaction rules of ERISA or the U.S. Code but may be subject to rules under other US federal, state, local or non-U.S. law or regulation that are substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the U.S. Code ("**Similar Law**"). Fiduciaries of such plans should consult with their counsel before purchasing any of the Notes or any interest therein.

Accordingly, the Notes (or any interest therein) may not be purchased or held by a Plan, any entity whose underlying assets include "plan assets" by reason of the Plan's investment in the entity, any person investing "plan assets" of a Plan or a governmental, church or non-U.S. plan which is subject to Similar Law, unless the acquisition, holding and disposition of the Notes (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the U.S. Code or a violation of any Similar Law. Any purchaser of the Notes or any interest therein, including in the secondary market, will be deemed to have represented, acknowledged and agreed that, among other things, either (a) it is not, and is not purchasing Notes (or any interest therein) on behalf of, a Plan, an entity deemed to hold "plan assets" of a Plan or a governmental, church or non-U.S. plan which is subject to Similar Law or (b) its acquisition, holding and disposition of the Notes (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the U.S. Code or a violation of any Similar Law, and that such representations shall be deemed to be made each day from the date on which the purchaser purchases through and including the date on which the purchaser disposes of the Notes (or any interest therein). See "*Transfer Restrictions*" herein.

Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries or other persons considering purchasing the Notes (or any interest therein) on behalf of, or with the "plan assets" of, any Plan consult with their counsel regarding the potential consequences under ERISA and the U.S. Code.

PLAN OF DISTRIBUTION

Subject to the terms and conditions stated in the subscription agreement for the Notes (the "**Subscription Agreement**") dated January 16, 2019, among the Initial Subscribers and the Bank, each Initial Subscriber named below has severally agreed to purchase, and the Bank has agreed to sell to that Initial Subscriber, the aggregate principal amount of Notes set forth opposite their names below at the initial issue price on the cover page of this Offering Memorandum, less fees and commissions.

Initial Subscriber	Principal Amount of the 2022 Notes	Principal Amount of the 2024 Notes
Barclays Bank PLC	U.S.$44,444,000	U.S.$94,444,000
Citigroup Global Markets Inc.	U.S.$44,444,000	U.S.$94,444,000
The Hongkong and Shanghai Banking Corporation Limited	U.S.$44,448,000	U.S.$94,448,000
J.P. Morgan Securities PLC	U.S.$44,444,000	U.S.$94,444,000
Merrill Lynch (Singapore) Pte. Limited	U.S.$44,444,000	U.S.$94,444,000
Mizuho Securities Asia Limited	U.S.$44,444,000	U.S.$94,444,000
MUFG Securities EMEA PLC	U.S.$44,444,000	U.S.$94,444,000
Standard Chartered Bank	U.S.$44,444,000	U.S.$94,444,000
SBICAP (Singapore) Limited	U.S.$44,444,000	U.S.$94,444,000
Total	U.S.$400,000,000	U.S.$850,000,000

The Bank has been advised that the Initial Subscribers propose to resell the Notes within the United States at the offering price set forth on the cover page of this Offering Memorandum to QIBs in reliance on Rule 144A and to persons outside the United States in reliance on Regulation S. See "*Transfer Restrictions*." The price at which the Notes are offered may be changed at any time without notice. The Initial Subscribers may offer and sell the Notes through certain of their affiliates.

The Initial Subscribers or their respective affiliates may purchase the Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to Notes and/or other securities of the Bank, its subsidiaries or associates at the same time as the offer and sale of Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of Notes to which this Offering Memorandum relates (notwithstanding that such selected counterparties may also be purchasers of Notes). The Initial Subscribers or certain of their affiliates may purchase Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution.

The Notes will constitute a new class of securities with no established trading market. Applications will be made for the listing and quotation of the Notes on the SGX-ST and the INX, respectively. The Bank cannot assure you that the prices at which the Notes will sell in the market after this Offering will not be lower than the initial issue price or that an active trading market for the Notes will develop and continue after this Offering. The Initial Subscribers have advised the Bank that they currently intend to make a market in the Notes. However, they are not obligated to do so and they may discontinue any market-making activities with respect to the Notes at any time at their sole discretion without notice. In addition, market-making activities will be subject to the constraints imposed by the Securities Act and the Exchange Act and may be limited. Accordingly, the Bank cannot assure you as to the liquidity of or the trading market for the Notes.

In connection with this Offering, the Stabilizing Manager may purchase and sell Notes in the open market. These transactions may include over-allotment, syndicate-covering transactions and stabilizing transactions. Over-allotment involves sales of Notes in excess of the principal amount of Notes to be purchased by the Stabilizing Manager in the Offering, which creates a short position for such Stabilizing Manager. Covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions consist of certain bids or purchases of Notes made for the purpose of preventing or retarding a decline in the trading price of the Notes while the Offering is in progress. Any of these activities may have the effect of preventing or retarding a decline in the trading price of the Notes. They may also cause the trading price of the Notes to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The Stabilizing Manager may conduct these transactions in the over-the-counter market or otherwise. If the Stabilizing Manager commences any of these transactions, it may discontinue them at any time.

The Initial Subscribers are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. From time to time, the Initial Subscribers and certain of their affiliates have provided and may continue to provide investment banking, lending, advisory, financial and other services to the Bank for which the Bank paid, and expects to pay, customary compensation. SBICAP (Singapore) Limited, an Initial Subscriber in the Offering, is an indirect wholly owned subsidiary of the Bank.

In the ordinary course of their various business activities, the Initial Subscribers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of the Issuer. The Initial Subscribers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

The Bank has agreed to indemnify the Initial Subscribers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Initial Subscribers may be required to make because of any of those liabilities. The Initial Subscribers are entitled to certain commissions and reimbursement of certain expenses from the Issuer. The Initial Subscribers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

Investors should be aware that the laws and practices of certain countries require investors to pay stamp taxes and other charges in connection with purchases of securities.

Delivery of the Notes is expected on or about January 24, 2019, which is the fifth business day following the date of this Offering Memorandum (such settlement cycle being referred to as “T+5”).

United States

The Notes have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States.

The Notes are being offered and sold only to, or for the account or benefit of non-U.S. persons (as defined in Regulation S) outside of the United States in reliance on Regulation S. The Subscription Agreement provides that each Initial Subscriber may, directly or through their respective U.S. broker-dealer affiliates, arrange for the offer and resale of the Notes within the United States only to QIBs in reliance on Rule 144A.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of the Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

United Kingdom

Each Initial Subscriber has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Bank; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Hong Kong

Each Initial Subscriber has represented and agreed that:

(a) it has not offered or sold, and will not offer or sell, in Hong Kong, by means of any document, any Notes other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Singapore

Each Initial Subscriber has acknowledged that this Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Initial Subscriber has represented and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA or any person pursuant to Section 275(1A) of the SFA and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, Securities, or securities-based derivatives contracts (each term as defined in section 2(1) of the SFA) or securities—based derivatives contracts (as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

   (i) to an institutional investor or to a relevant person or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA; or

   (ii) where no consideration is or will be given for the transfer; or

   (iii) where the transfer is by operation of law; or

   (iv) as specified in Section 276(7) of the SFA.

Any reference to the SFA is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 (the "**CMP Regulations 2018**"), the Issuer has determined the classification of the Notes as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

India

Each Initial Subscriber represents and agrees that (a) the Offering Memorandum has not been and will not be registered, produced or published as an offer document (whether as a prospectus in respect of a public offer or an information memorandum or private placement offer letter or other offering material in respect of a private placement under the Companies Act, 2013 or any other applicable Indian laws) to the Registrar of Companies, the Securities and Exchange Board of India or any other statutory or regulatory body of like nature in India, except any information from part of the Offering Memorandum which is mandatorily required to be disclosed or filed in India under any applicable Indian laws; (b) the Notes will not be offered or sold and have not been offered or sold directly or indirectly in India to, or for the account or benefit of, any resident of India by means of this Offering Memorandum or any other offering document or material relating to the Notes and will not be circulated or distributed and have not been circulated or distributed, directly or indirectly, to any person or the public in India or otherwise generally distributed or circulated in India which would constitute an advertisement, invitation, offer, sale or solicitation of an offer to subscribe for or purchase any securities in violation of applicable Indian laws. The Notes will not be offered, directly or indirectly, to any non-institutional investors in Gujarat International Finance Tec-City ("**GIFT**") IFSC or to, or for the account or benefit of, any non-institutional investors in GIFT IFSC.

United Arab Emirates (excluding the Dubai International Financial Centre)

Each Initial Subscriber has represented and agreed that the Notes have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

Dubai International Financial Centre

Each Initial Subscriber has represented and agreed that it has not offered and will not offer the Notes to any person in the Dubai International Financial Centre unless such offer is:

(a) an "Exempt Offer" in accordance with the Markets Rules 2012 of the Dubai Financial Services Authority (the "**DFSA**"); and

(b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.2 of the DFSA Conduct of Business Module.

General

No action has been or will be taken in any jurisdiction by the Bank or any Initial Subscriber that would, or is intended to, permit a public offering of the Notes, or possession or distribution of this Offering Memorandum or any other offering material, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Offering Memorandum comes are required by the Bank and the Initial Subscribers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession, distribute or publish this Offering Memorandum or any other offering material relating to the Notes, in all cases at their own expense.

CLEARANCE AND SETTLEMENT

*The information set out below concerning the operations and procedures of Euroclear, Clearstream, Luxembourg and DTC (together, the "**Clearing Systems**") is provided solely as a matter of convenience and no responsibility is taken for the accuracy or completeness thereof. In particular, these operations and procedures are solely in the control of the respective Clearing Systems and are subject to change by them. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the operations and procedures of the relevant Clearing System and no responsibility is taken for the continued applicability of such operations and procedures.*

Book-Entry Ownership

The Notes will be evidenced on issue by the Regulation S Global Note Certificate (registered in the name of a nominee of, and shall be deposited with a custodian for, DTC for the accounts of Euroclear and Clearstream, Luxembourg) and the Rule 144A Global Note Certificate (registered in the name of a nominee of, and shall be deposited with a custodian for, DTC).

The Bank, and a relevant US agent appointed for such purpose that is an eligible DTC participant, will make application to DTC for acceptance in its book-entry settlement system of the Notes represented by the Regulation S Global Note Certificate and the Rule 144A Global Note Certificate. The Bank will also make application to Euroclear and/or Clearstream, Luxembourg for acceptance in their respective book-entry systems in respect of the Notes to be represented by the Regulation S Global Note Certificate. The Regulation S Global Note Certificate and Rule 144A Global Note Certificate will have a CUSIP, an ISIN and a Common Code. The Rule 144A Global Note Certificate will be subject to restrictions on transfer contained in a legend appearing on the front of such Global Note Certificate, as set out under "*Transfer Restrictions*." In certain circumstances, as described below, transfers of interests in the Rule 144A Global Note Certificate may be made as a result of which such legend may no longer be required.

Upon the Global Note Certificates being registered in the name of a nominee of, and deposited with a custodian for, DTC, DTC will electronically record the nominal amount of the Notes held within the DTC system. Investors may hold their beneficial interests in the Global Note Certificates directly through DTC if they are participants in the DTC system, or indirectly through organizations (including Euroclear and Clearstream, Luxembourg) which are participants in such system (together, such direct and indirect participants of DTC shall be referred to as "**DTC participants**"). All interests in the Global Note Certificates, including those held through Euroclear or Clearstream, Luxembourg may be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream, Luxembourg may also be subject to the procedures and requirements of such systems.

PAYMENTS THROUGH DTC

Payments of the principal of, and interest on, each Global Note Certificate registered in the name of DTC's nominee will be to, or to the order of, its nominee as the registered owner of such Global Note Certificate. The Bank expects that the nominee, upon receipt of any such payment, will immediately credit DTC participants' accounts with payments in amounts proportionate to their respective beneficial interests in the nominal amount of the relevant Global Note Certificate as shown on the records of DTC or the nominee. The Bank also expects that payments by DTC participants to owners of beneficial interests in such Global Note Certificates held through such DTC participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC participants. None of the Bank, the Fiscal Agent nor any paying agent or transfer agent will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, ownership interests in any Global Note Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

Transfers of Notes

Transfers of interests in the Global Note Certificates within Euroclear, Clearstream, Luxembourg and DTC will be in accordance with the usual rules and operating procedures of the relevant clearing system. The laws of some states in the United States require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in the Rule 144A Global Note Certificate to such persons may be limited. Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in the Rule 144A Global Note Certificate to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

Beneficial interests in the Regulation S Global Note Certificate may only be held through Euroclear or Clearstream, Luxembourg. In the case of Notes to be cleared through Euroclear, Clearstream, Luxembourg and/or DTC, transfers may be made at any time by a holder of an interest in the Regulation S Global Note Certificate to a transferee who wishes to take delivery of such interest through the Rule 144A Global Note Certificate provided that any such transfer will, subject to the applicable procedures of Euroclear, Clearstream, Luxembourg and/or DTC from time to time, only be made upon receipt by any transfer agent of a written certificate from Euroclear or Clearstream, Luxembourg, as the case may be, (based on a written certificate from the transferor of such interest) to the effect that such transfer is being made to a person that the transferor, and any person acting on its behalf, reasonably believes is a QIB within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States. Any such transfer made thereafter of the Notes represented by such Regulation S Global Note Certificate will only be made upon request through Euroclear or Clearstream, Luxembourg by the holder of an interest in the Regulation S Global Note Certificate to the Fiscal Agent or other paying agent of details of that account at DTC to be credited with the relevant interest in the Rule 144A Global Note Certificate. Transfers at any time by a holder of any interest in the Rule 144A Global Note Certificate to a transferee who takes delivery of such interest through the Regulation S Global Note Certificate will, subject to the applicable procedures of Euroclear, Clearstream, Luxembourg and/or DTC from time to time, only be made upon delivery to any transfer agent of a certificate setting forth compliance with the provisions of Regulation S and giving details of the account at Euroclear or Clearstream, Luxembourg, as the case may be, and DTC to be credited and debited, respectively, with an interest in each relevant Global Note Certificate.

Subject to compliance with the transfer restrictions applicable to the Notes described above and under "*Transfer Restrictions*," cross-market transfers between DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream, Luxembourg accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the custodian of the Global Note Certificates, the Registrar and the Fiscal Agent and other paying agent.

On or after the Issue Date, transfers of Notes between accountholders in Euroclear and/or Clearstream, Luxembourg and transfers of Notes between participants in DTC will generally have a settlement date five business days after the trade date (T+5). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Euroclear or Clearstream, Luxembourg and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Euroclear and Clearstream, Luxembourg, on the other, transfers of interests between the Global Note Certificates will be effected through the Fiscal Agent and other paying agents, the custodian of the Global Note Certificates, the

Registrar and any transfer agent receiving instructions (and where appropriate certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. Transfers will be effected on the later of (i) three business days after the trade date for the disposal of the interest in the relevant Global Note Certificate resulting in such transfer and (ii) two business days after receipt by the Fiscal Agent or other paying agent or the Registrar, as the case may be, of the necessary certification or information to effect such transfer. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

For a further description of restrictions on transfer of the Notes, see "*Transfer Restrictions*."

DTC will take any action permitted to be taken by a holder of Notes only at the direction of one or more DTC participants in whose accounts with DTC interests in the Global Note Certificates are credited and only in respect of such portion of the aggregate nominal amount of the relevant Global Note Certificate as to which such DTC participant or participants has or have given such direction. However, the custodian of the Global Note Certificates will surrender the relevant Global Note Certificate for exchange for individual definitive certificates in certain limited circumstances.

DTC is a limited purpose trust company organized under the laws of the State of New York, a "banking organization" under the laws of the State of New York, a member of the US Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic computerized book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC direct participant, either directly or indirectly.

Although Euroclear, Clearstream, Luxembourg and DTC have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in the Global Certificates among participants and accountholders of Euroclear, Clearstream, Luxembourg and DTC they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Bank, the Fiscal Agent or any other paying agent or transfer agent will have any responsibility for the performance by Euroclear, Clearstream, Luxembourg or DTC or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations. While the Global Note Certificates are lodged with DTC, Notes represented by individual definitive certificates will not be eligible for clearing or settlement through Euroclear, Clearstream, Luxembourg or DTC.

Individual Definitive Certificates

Registration of title to Notes in a name other than a custodian or its nominee for DTC will be permitted only in the circumstances set forth in "Summary of Provisions Relating to the Notes While in Global Form." In such circumstances, the Bank will cause sufficient individual definitive certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Noteholder(s). A person having an interest in a Global Note Certificate must provide the Registrar with certain information as specified in the Agency Agreement.

Pre-issue Trades Settlement

It is expected that delivery of Notes will be made against payment therefor on the relevant Issue Date, which will be more than three business days following the date of pricing. Under Rule 15c6-1 of the Exchange Act, trades in the U.S. secondary market generally are required to settle within three business days ("**T+3**"), unless the parties to any such trade expressly agree otherwise. Accordingly, since the Issue Date will be more than three business days following the relevant date of pricing, purchasers who wish to trade the Notes in the United States between the date of pricing and the date that is three business days prior to the Issue Date will be required, by virtue of the fact that such Notes initially will settle beyond T+5, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Notes may be affected by such local settlement practices and, in the event that an Issue Date is more than three business days following the relevant date of pricing, purchasers of Notes who wish to trade Notes between the date of pricing and the date that is three business days prior to the relevant Issue Date should consult their own adviser.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

The following contains a summary of provisions that apply to the 2022 Notes and the 2024 Notes in respect of which the relevant Global Note Certificates are issued.

The Global Note Certificates

Each of the 2022 Notes and the 2024 Notes will be evidenced on issue by a Regulation S Global Note Certificate (registered in the name of a nominee of, and deposited with a custodian for, DTC for the accounts of Euroclear and Clearstream, Luxembourg) and a Rule 144A Global Note Certificate (registered in the name of a nominee of, and deposited with a custodian for, DTC). The Regulation S Global Note Certificates and the Rule 144A Global Note Certificates for each of the 2022 Notes and the 2024 Notes are referred to herein as the "**Global Note Certificates**."

Beneficial interests in a Regulation S Global Note Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg. See "*Clearance and Settlement*." By acquisition of a beneficial interest in a Regulation S Global Note Certificate, the purchaser thereof will be deemed to represent, among other things, that it will transfer such interest only to a person whom the seller reasonably believes (a) is purchasing the Notes in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (b) to be a person who takes delivery in the form of an interest in the relevant Rule 144A Global Note Certificate (if applicable). See "*Transfer Restrictions*."

Beneficial interests in a Rule 144A Global Note Certificate will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its participants. See "*Clearance and Settlement*." By acquisition of a beneficial interest in a Rule 144A Global Note Certificate, the purchaser thereof will be deemed to represent, among other things, that it is a QIB and that, if in the future it determines to transfer such beneficial interest, it will transfer such interest in accordance with the procedures and restrictions contained in the Agency Agreement. See "*Transfer Restrictions*."

Beneficial interests in the Global Note Certificates will be subject to certain restrictions on transfer set forth therein and in the Agency Agreement, and with respect to the Notes represented by a Rule 144A Global Note Certificate, as set forth in Rule 144A, the Notes will bear the legends set forth thereon regarding such restrictions set forth under "*Transfer Restrictions*."

Beneficial interests in a Regulation S Global Note Certificate may be transferred to a person who takes delivery in the form of an interest in the relevant Rule 144A Global Note Certificate, subject to certain requirements. See "*Clearance and Settlement*." Any beneficial interest in a Regulation S Global Note Certificate that is transferred to a person who takes delivery in the form of an interest in the relevant Rule 144A Global Note Certificate will, upon transfer, cease to be an interest in such Regulation S Global Note Certificate and become an interest in the relevant Rule 144A Global Note Certificate, and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the relevant Rule 144A Global Note Certificate for as long as it remains such an interest.

Beneficial interests in a Rule 144A Global Note Certificate may be transferred to a person who takes delivery in the form of an interest in the relevant Regulation S Global Note Certificate, subject to certain requirements. See "*Clearance and Settlement*." Any beneficial interest in a Rule 144A Global Note Certificate that is transferred to a person who takes delivery in the form of an interest in the relevant Regulation S Global Note Certificate will, upon transfer, cease to be an interest in such

Rule 144A Global Note Certificate and become an interest in the relevant Regulation S Global Note Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the relevant Regulation S Global Note Certificate for so long as it remains such an interest.

No service charge will be made for any registration of transfer or exchange of Notes, but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. Except in the limited circumstances described below, owners of beneficial interests in Global Note Certificates will not be entitled to receive physical delivery of the individual definitive certificates. No Notes will be issued in bearer form.

Certificates in definitive form for individual holdings of the Notes will not be issued in exchange for interests in Notes represented by the Global Note Certificates, except, if DTC notifies the Bank that it is no longer willing or able to discharge properly its responsibilities as depository with respect to a Rule 144A Global Note Certificate, or ceases to be a "clearing agency" registered under the Exchange Act, or if at any time it is no longer eligible to act as such and the Bank is unable to locate a qualified successor within 90 days of receiving notice or becoming aware of such ineligibility on the part of DTC.

In the event that a Regulation S Global Note Certificate or a Rule 144A Global Note Certificate is exchanged for individual definitive certificates, such individual definitive certificates shall be issued in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. Noteholders who hold Notes in the relevant clearing system in amounts that are not integral multiples of U.S.$200,000 or integral multiples of U.S.$1,000 in excess thereof may need to purchase or sell, on or before such exchange, a principal amount of Notes such that their holding is an integral multiple of U.S.$200,000 or integral multiples of U.S.$1,000 in excess thereof.

Amendments to the Terms and Conditions of the Notes

Each Global Note Certificate contains provisions that apply to the Notes that they evidence, some of which modify the effect of the Terms and Conditions of the Notes. The following is a summary of those provisions:

Meetings

The registered holder of each Global Note Certificate (and any proxy or representative appointed by it) will be treated as being two persons for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Noteholders and in any such meeting as having one vote in respect of each U.S.$1,000 in principal amount of Notes evidenced by such Global Note Certificate.

Payments

Payments of principal and interest in respect of Notes evidenced by the Global Note Certificates will be made without presentation for endorsement by the Fiscal Agent or such other Paying Agent and, if no further payment falls to be made in respect of the Notes, against presentation and surrender of the Global Note Certificates to or to the order of the Fiscal Agent or such other Paying Agent as shall have been notified to the relevant Noteholders for such purpose. A record of each payment so made will be endorsed in the appropriate schedule to the relevant Global Note Certificate, which endorsement will be *prima facie* evidence that such payment has been made in respect of the relevant Notes.

Transfers

Transfers of the beneficial interests in the Notes represented by a Regulation S Global Note Certificate will be effected through the records of Euroclear and Clearstream, Luxembourg or any alternative clearing system as shall have designated by the issuer and approved by an Extraordinary

Resolution of the Noteholders (the "**Alternative Clearing System**") and their respective participants in accordance with the rules and operating procedures of Euroclear and Clearstream, Luxembourg or any Alternative Clearing System and their respective participants. Transfers of the beneficial interests in the Notes represented by a Rule 144A Global Note Certificate will be effected through the records of DTC or any Alternative Clearing System and its participants in accordance with the rules and operating procedures of DTC or any Alternative Clearing System and its respective participants.

Cancellation

Cancellation of any Note required by the Terms and Conditions of the 2022 or the Terms and Conditions of the 2024 Notes to be cancelled will be effected by reduction in the principal amount of the Notes in the register and on the applicable Global Note Certificate.

Events of Default

Each Global Note Certificate provides that holders of one quarter of the outstanding aggregate principal amount of the Notes may, by written notice delivered to the Bank, exercise the right to declare Notes represented by the applicable Global Note Certificate due and payable under Condition 8 by stating in the notice to the Bank, with a copy to the Fiscal Agent, the principal amount of Notes (which may be less than the principal amount in such Global Note Certificate) to which such Notes relate. If payment in respect of any Note is not paid when due and payable (but subject to the further provisions of the applicable Global Note Certificate) the holders of the relevant Global Note Certificate may from time to time elect for direct enforcement rights against the Issuer under further provisions of the Global Notes Certificate effected by each of the Issuer as a deed poll (the "**Direct Right**") to come into effect. Such election shall be made by notice to the Fiscal Agent and presentation of the applicable Global Note Certificate to or to the order of the Fiscal Agent for reduction of the principal amount of Notes represented by such Global Note Certificate to U.S.$ zero (or to such other figure as shall be specified in the notice) by endorsement and the corresponding endorsement of such principal amount of Notes formerly represented thereby as the principal amount of Notes in respect of which Direct Rights have arisen. Upon such notice being given the appropriate Direct Rights shall take effect.

Notices

So long as the Notes are represented by the Global Note Certificates and the Global Note Certificates are held on behalf of Euroclear, Clearstream, Luxembourg, DTC or any Alternative Clearing System, notices to Noteholders may be given by delivery of the relevant notice to Euroclear, Clearstream, Luxembourg, DTC or such Alternative Clearing System (as the case may be) for communication to entitled accountholders in substitution for notification as required by the Conditions.

TRANSFER RESTRICTIONS

The Notes have not been registered under the Securities Act and may not be offered or sold in the United States except in accordance with an applicable exemption from the registration requirements thereof. Accordingly, the Notes are being offered and sold only (a) to QIBs in compliance with Rule 144A, or (b) outside the United States only to, or for the account or benefit of, non-U.S. persons in reliance upon Regulation S. As used in this section, the term "United States" has the meaning given to it in Regulation S.

Each purchaser of the Notes (or any interest therein), by accepting delivery of this Offering Memorandum, will be deemed to have represented, acknowledged and agreed that, either (i) it is not, and is not purchasing the Notes (or any interest therein) on behalf of, and for so long as it holds the Notes (or any interest therein) will not be, and will not be purchasing the Notes (or any interest therein) on behalf of, (A) an "employee benefit plan" as defined in Section 3(3) of ERISA that is subject to Title I of ERISA, (B) a "plan" as defined in and subject to Section 4975 of the U.S. Code, (C) an entity whose underlying assets include the assets of any such employee benefit plan subject to ERISA or other plan subject to Section 4975 of the U.S. Code, or (D) a governmental, church or non-U.S. plan which is subject to Similar Law, or (ii) its acquisition, holding and disposition of the Notes (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the U.S. Code or, in the case of such a governmental, church or non-U.S. plan, a violation of any Similar Law.

Rule 144A Notes

Each purchaser of Notes within the United States pursuant to Rule 144A, by accepting delivery of this Offering Memorandum, will be deemed to have represented, acknowledged, and agreed as follows:

1. It is (a) a QIB within the meaning of Rule 144A, (b) acquiring such Notes for its own account or for the account of a QIB and (c) aware, and each beneficial owner of such Notes has been advised, that the sale of the Notes to it is being made in reliance on Rule 144A.

2. It understands that such Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), in each case in accordance with any applicable securities laws of any State of the United States.

3. It understands that such Notes, unless otherwise agreed between the Bank and the Fiscal Agent in accordance with applicable law, will bear a legend to the following effect:

   "THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (3) PURSUANT TO AN EXEMPTION FROM

REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THIS NOTE."

BY ITS ACQUISITION HEREOF, THE HOLDER WILL BE DEEMED TO HAVE REPRESENTED, ACKNOWLEDGED AND AGREED THAT, EITHER (I) IT IS NOT, AND IS NOT PURCHASING THIS NOTE (OR ANY INTEREST HEREIN) ON BEHALF OF, AND FOR SO LONG AS IT HOLDS THIS NOTE (OR ANY INTEREST HEREIN) WILL NOT BE, AND WILL NOT BE PURCHASING THIS NOTE (OR ANY INTEREST HEREIN) ON BEHALF OF, (A) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), THAT IS SUBJECT TO TITLE I OF ERISA, (B) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "U.S. CODE"), (C) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN SUBJECT TO ERISA OR OTHER PLAN SUBJECT TO SECTION 4975 OF THE U.S. CODE, OR (D) A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL OR NON-U.S. LAW OR REGULATION THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE U.S. CODE ("SIMILAR LAW"), OR (II) ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE (OR ANY INTEREST HEREIN) WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE U.S. CODE OR, IN THE CASE OF SUCH A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, A VIOLATION OF ANY SIMILAR LAW."

4. The Bank, the Registrar, the Initial Subscribers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements. If it is acquiring any Notes for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

5. It understands that the Notes offered in reliance on Rule 144A will be represented by the Rule 144A Global Note Certificate. Before any interest in the Rule 144A Global Note Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note Certificate it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Regulation S Notes

Each purchaser of Notes outside the United States pursuant to Regulation S and each subsequent purchaser of such Notes in resales prior to the expiration of the distribution compliance period, by accepting delivery of this Offering Memorandum and the Notes, will be deemed to have represented, agreed and acknowledged that:

1. It is, or at the time Notes are purchased will be, the beneficial owner of Notes and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Bank or a person acting on behalf of such an affiliate.

2. It understands that such Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge or otherwise transfer such Notes except (a) in accordance with Rule 144A under the Securities Act to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or the account of a QIB or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.

3. The Bank, the Registrar, the Initial Subscribers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

4. It understands that the Notes offered in reliance on Regulation S will be represented by the Regulation S Global Note Certificate. Prior to the expiration of the distribution compliance period, before any interest in the Regulation S Global Note Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

It is expected that delivery of the Notes will be made against payment therefor on or about the Issue Date, which will be the fifth business day following the date of pricing of the Notes. Pursuant to Rule 15c6-1 under the Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Notes initially will settle five business days following the pricing date (T+5), to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Notes who wish to trade Notes on the date of pricing or the next succeeding business day should consult their own advisor.

LEGAL MATTERS

The legal counsel advising as to the validity of the Notes for the Bank is Allen & Overy, the Bank's U.S. and English law counsel, and for the Initial Subscribers, by Linklaters Singapore Pte. Ltd., U.S. and English law counsel to the Initial Subscribers.

Matters of Indian law will be passed upon for the Bank by Shardul Amarchand Mangaldas & Co., Indian counsel to the Bank, and for the Initial Subscribers by J. Sagar & Associates, Indian counsel to the Initial Subscribers.

INDEPENDENT ACCOUNTANTS

Certain financial data for fiscal years 2016, 2017 and 2018 and the six months ended September 30, 2017 and 2018 included in this Offering Memorandum have been derived from the Bank's standalone and the Group's consolidated financial statements prepared in accordance with Indian GAAP, guidelines issued by the RBI from time to time and practices generally prevailing in the banking industry in India. Included in this Offering Memorandum are financial data from the audited standalone and consolidated financial statements for fiscal years 2016, 2017 and 2018 and the unaudited and reviewed standalone and consolidated interim financial statements for the six months ended September 30, 2017 and 2018. The financial statements included in this Offering Memorandum were audited or reviewed, as the case may be, by a rotation of RBI appointed auditors. For a complete list of these auditors, see "*Report of the Auditors on the Financial Statements for the year ended on March 31, 2018*" at the conclusion of this Offering Memorandum.

GENERAL INFORMATION

1. The creation and issue of the Notes has been authorized by resolutions of the Bank's Executive Committee of the Central Board dated December 12, 2018.

2. Save as disclosed in this Offering Memorandum, there are no, nor have there been any, litigation or arbitration proceedings, including those which are pending or threatened, of which the Issuer is aware, which may have, or have had during the 12 months prior to the date of this Offering Memorandum, a material adverse effect on the Issuer's financial position.

3. Save as disclosed in this Offering Memorandum, there has been no material change in the Bank's financial or trading position since September 30, 2018 and, since such date, save as disclosed in this Offering Memorandum, there has been no material adverse change in the Bank's financial position or prospects.

4. Copies of the following documents, all of which are published in English, may be inspected during normal business hours at the offices of the Principal Paying Agent after the date of this Offering Memorandum for so long as any of the Notes remains outstanding:

   (a) the Bank's constitutional documents;

   (b) the Deed of Covenant; and

   (c) The Bank's audited financial statements for the years ended 2016, 2017 and 2018 and its reviewed financial statements for the six months ended September 30, 2017 and 2018.

5. The Notes are expected to be accepted for clearance through Euroclear, Clearstream, Luxembourg and DTC. The ISIN and CUSIP for each of the Rule 144A Notes and the Regulation S Notes are as follows:

	The Notes	
	Rule 144A	**Regulation S**
The 2022 Notes ISIN.	US85628UAH95	USY81647AD41
The 2022 Notes CUSIP	85628U AH9	Y81647 AD4
The 2024 Notes ISIN.	US85628UAJ51	USY81647AE24
The 2024 Notes CUSIP	85628U AJ5	Y81647 AE2

6. Application will be made for the listing of the Notes on the Official List of the SGX-ST and application has been made for the listing of the Notes on the INX. The SGX-ST or the INX assumes no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Admission of the Notes to the Official List of the SGX-ST or the INX is not to be taken as an indication of the merits of the Bank, the Group or the Notes. The listing of the Notes on the INX will be in compliance with the SEBI (IFSC) Guidelines, 2015, as amended from time to time.

   For so long as the Notes are listed on the SGX-ST and INX, and the rules of the SGX-ST and the rules applicable to INX so require, the Bank shall appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, in the event that the Global Note is exchanged for Certificated Notes. In addition, an announcement of such exchange shall be made by or on behalf of the Bank through the SGX-ST and the INX, and such announcement will include all material information with respect to the delivery of the Certificated Notes, including details of the paying agent in Singapore.

DESCRIPTION OF CERTAIN DIFFERENCES BETWEEN INDIAN GAAP AND U.S. GAAP

The audited financial statements of the Bank included in this Offering Memorandum have been prepared in accordance with the accounting policies followed by the Bank which conform to Generally Accepted Accounting Principles in India and RBI Guidelines as applicable to the Bank. The following are significant differences between Indian GAAP and U.S. GAAP, limited to those differences that are relevant to the Bank's financial statements. However, they should not be construed as being exhaustive, and no attempt has been made to identify possible future differences between Indian GAAP and U.S. GAAP as a result of prescribed changes in accounting standards or to identify future differences that may affect the Bank's financial statements as a result of transactions or events that may occur in the future. In certain respects, the financial statements of the Bank reflect adjustments made in accordance with applicable statutory requirements and regulatory guidelines, and accounting practices in India, which change from time to time and may have been applied prospectively. As a result, the periods covered by the financial statements of the Bank and the Bank's results on a period-by-period basis may not be directly comparable.

Indian GAAP	U.S. GAAP
Changes in accounting policies	***Changes in accounting policies***
Impact of adjustments resulting from the change to be shown in the income statement of the period in which the change is made except as specified in certain standards, where the change resulting from adoption of such standards has to be shown by an adjustment to opening retained earnings.	Retrospective application requiring the entity to adjust each affected component of equity for the earliest period presented and comparative income statement presented, except where impracticable to do so. Transition provisions are generally specified in new standards and may be different.
Property, plant and equipment	***Property, plant and equipment***
Use of historical cost or revalued amounts is permitted. Revaluation of an entire class of assets or of a selection of assets is required to be carried out on a systematic basis.	Upward revaluation is not permitted. Downward valuations are required when future undiscounted cash flows are less than the carrying value of the asset.
Depreciation	***Depreciation***
The Indian Companies Act provides minimum rates of depreciation. If management's estimate of useful life of a fixed asset is shorter than depreciation rates as per the Companies Act, depreciation is provided at higher rate based on management's estimate of useful life.	Allocated on a systematic basis to each accounting period over the economic useful life of the asset, reflecting the pattern in which the entity consumes the asset's benefits.
Depreciation on revaluation portion can be recouped out of revaluation reserve.	Upward revaluation is not permitted.

Indian GAAP	U.S. GAAP
Unrealized gains/losses on investments	***Unrealized gains/losses on investments***
All investments are categorized into “Held to Maturity,” “Available for Sale” and “Held for Trading.” “Held to Maturity” securities are carried at their acquisition cost or at amortized cost if acquired at a premium over the face value. “Available for Sale” and “Held for Trading” securities are valued periodically as per RBI guidelines. Net depreciation, if any, within each category of investments is recognized in the profit and loss account. The net appreciation, if any, under each classification is ignored.	Investments are categorized into “Held to Maturity,” “Available for Sale” or “Trading” based on management’s intent and ability. While ’Trading’ and “Available for Sale” securities are valued at fair value, “Held to Maturity” securities are valued at cost, adjusted for amortization of premiums and accretion of discount. The unrealized gains and losses on “Trading” securities are taken to the income statement, while those of “Available for Sale” securities are reported as a separate component of stockholders’ equity, net of applicable taxes, until realized.
Amortization of premium/discount on the purchase of investments	***Amortization of premium/discount of the purchase of investments***
No amortization of premium/discount is allowed on investments except for the premium on investments categorized as “Held to Maturity.”	Premium/discount is amortized on all categories of investment.
Allowances for credit losses	***Allowances for credit losses***
All credit exposures are classified as per RBI guidelines, into performing assets and NPAs. Further, non-performing assets are classified into substandard, doubtful and loss assets for provisioning based on the criteria stipulated by the RBI. Provisions are made in accordance with RBI guidelines. For restructured assets, a provision is made in accordance with the guidelines issued by the RBI, which require that a provision equal to the present value of the interest sacrifice be made at the time of restructuring. In addition to the specific provisioning made on NPAs, the Bank maintains general provisions to cover potential credit losses of standard assets in accordance with RBI guidelines.	Loans are tested for impairment and placed on a non-accrual basis (i.e., interest income is not accrued) when based on current information and events, management estimates that the collection of outstanding interest and principal amounts are doubtful. The impairment of a loan is measured based on the present value of the loan’s effective interest rate, or at the observable market price of the loan, or at the fair value of the collateral if the loan is collateral dependent. The impairment is recognized if the measured value is less than the recorded investment in the impaired loan.
Loan origination fees/costs	***Loan origination fees/costs***
Loan origination fees are recognized upfront on their becoming due. Loan origination costs are taken to the profit and loss account in the year in which accrued/incurred.	Non-refundable loan origination fees (net of direct loan origination costs) are deferred and recognized as an adjustment to yield over the life of the loan. The adjustment is made using the interest method, based on the contractual terms of the loan.

Indian GAAP	U.S. GAAP
Derivatives	***Derivatives***
Derivative transactions comprise swaps and options. Swaps and options are disclosed as off balance sheet exposures. The swaps/options are bifurcated as trading or hedge transaction. Trading swaps/options are revalued at the balance sheet date with the resulting unrealized gain/loss being recognized in the profit and loss account and is included in other assets or other liabilities. Hedged swaps/options are accounted for on an accrual basis.	All derivatives are required to be recognized as assets or liabilities on the balance sheet and measured at fair value with changes in fair value being recognized in earnings. Fair values are based on quoted market prices or, absent quoted market prices, based on valuation techniques which may take into account available current market and contractual prices of similar instruments as well as the time value underlying the positions. If a derivative is a hedge, depending on the nature of the hedge, the effective portion of the hedge' s change in fair value is either offset against the change in fair value of the hedged asset, liability or firm commitment through income or held in equity until the hedge item is recognized in income. The ineffective portion of a hedge is immediately recognized in income.
Revenue Recognition	***Revenue Recognition***
Revenue is recognized on accrual basis when there is no uncertainty as to its ultimate collection. Realized gains on investments under HTM category are recognized in the profit and loss account and subsequently appropriated to capital reserve account in accordance with RBI guidelines.	Revenue involving the sales of services is recognized when certain criteria have been met, including whether persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the sales price is fixed or determinable and, collectability is reasonably assured. Realized gains on investments under HTM category are recognized in the profit and loss account.
Employee Benefits	***Employee Benefits***
AS 15 (Revised) (mandatory with effect from December 7, 2006) requires the use of projected unit credit method to determine benefit obligation. All actuarial gains and losses have to be recognized immediately in profit and loss account. In the alternative (with effect from October 17, 2007), companies may charge additional liability arising upon the first application of the Standard as an expense over a five-year period.	Obligation for defined benefit plans must be measured using projected unit credit method. Immediate recognition of actuarial gains or losses is not required, but it is recognized as a component of Other Comprehensive Income, net of tax.

Indian GAAP	U.S. GAAP
Taxation	***Taxation***
Income tax comprises the current tax (i.e., amount of tax for the period determined in accordance with the Income Tax Act, 1961 and the rules framed thereunder) and the deferred tax charge or credit reflecting the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future. However, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognized only if there is virtual certainty of realization of such assets. Deferred tax assets are reviewed as of each balance sheet date and written down or written up to reflect the amount that is reasonably/virtually certain to be realized.	Income taxes are accounted for as per the provisions of SFAS No. 109, Accounting for Income Taxes. SFAS No. 109 requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax basis of assets and liabilities, using enacted tax rates expected to apply to taxable income in the years that the temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the statement of income in the period of enactment. Deferred tax assets are recognized subject to a valuation allowance based upon management's judgment as to whether it is considered more likely than not that the asset will be realized.
Employee Stock Option Plan	***Employee Stock Option Plan***
As per the guidance note on Accounting for Employee Share-based payments, effective for all share-based grants made after April 1, 2005, employee share-based plans are classified into equity settled, cash settled and employee share-based payments plans with cash alternatives. Any plan falling into the above categories can be accounted for by adopting the fair value method or intrinsic value method as of the grant date. An enterprise using the intrinsic value method is required to make fair value disclosures. Listed companies are also to observe the specific guidance by market regulator (SEBI).	As per FASB 123R — Accounting for Share Based Payments, employee stock-based compensation plans have to be accounted for using the fair value method.
Proposed dividend	***Proposed dividend***
Dividend proposed after the Balance Sheet date for the year/period then ended is required to be recognized as a liability on the Balance Sheet date.	The declaration of a cash dividend is a non-adjusting event. Dividends are recorded when they are declared by the shareholders.

Indian GAAP	U.S. GAAP
Accounting for subsidiaries and affiliates	***Accounting for subsidiaries and affiliates***
The Bank consolidates subsidiaries where it controls the ownership, directly or indirectly, of more than one-half of the voting power or controls the composition of the board of directors with the objective of obtaining economic benefits from their activities. The Bank accounts for investments in associates under the equity method of accounting.	Consolidates of subsidiaries is required where the Bank, directly or indirectly, holds more than 50% of the voting rights or exercises control. Entities where the Bank holds 20% to 50% of the voting rights and/or has the ability to exercise significant influence are accounted for under the equity method, and the pro rata share of their income (loss) is included in income. The Bank is also required to consolidate Variable Interest Entities where the Bank is determined to be the primary benefactor under FASB Interpretation No. 46, "Consolidation of Variable Interest Entities" (FIN 46 (R)).

INDEX TO FINANCIAL STATEMENTS

Varma & Varma

Chartered Accountants

LIMITED REVIEW REPORT

The Board of Directors,
State Bank of India,
State Bank Bhavan
Madam Cama Road,
Mumbai – 400021

LIMITED REVIEW REPORT ON THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF STATE BANK OF INDIA FOR THE QUARTER AND HALF YEAR ENDED SEPTEMBER 30, 2018.

1. We have reviewed the accompanying statement of unaudited consolidated financial results of State Bank of India (the 'Bank') for the quarter and half year ended September 30, 2018 which includes:
   a) Results of the Bank which have been reviewed by all the Central Statutory Auditors including us;
   b) Results of 11 Subsidiaries and 1 Joint Venture reviewed by other Auditors;
   c) Result of 1 Subsidiary audited by another Auditor; and
   d) Un-reviewed results of 17 Subsidiaries, 7 Joint Ventures and 20 Associates (including 18 Regional Rural Banks).

   The above entities together with the Bank are referred to as the 'Group'. This statement is the responsibility of the Bank's management and have been approved by the Board of Directors. Our responsibility is to issue a report on these financial statements based on our review.

Scope of Review:

2. We conducted our review in accordance with the Standard on Review Engagement (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of bank personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

3. In respect of the unaudited consolidated financial results we did not review:

   a) the statement of reviewed financial results of 11 Subsidiaries and 1 Joint Venture of the Group, as well as statement of audited financial results of 1 subsidiary whose financial results reflect the Group's share of total assets of INR 1,61,173 crores as at September 30, 2018 and the Group's share of total revenues of INR 22,481 crores for the half year ended September 30, 2018 as considered in the consolidated financial results. These financial results have been reviewed/audited by other auditors whose reports on the standalone financials results and on the information and adjustments required for consolidation have been furnished to us, and in our opinion, in so far as it relates to the amounts/information included in respect of such subsidiaries in the consolidated financial results, is based solely on such reports of the other auditors;

MUMBAI

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b) the financial results of 17 Subsidiaries and 7 Joint ventures whose financial results reflect the Group's share of total assets of INR 50,743 crores as at September 30, 2018 and the Group's share of total revenues of INR 1,407 crores for the half year ended September 30, 2018 are not reviewed by their auditors and have been included in the consolidated financial results on the basis of management certified information;

c) The financial results of 20 Associates (including 18 Regional Rural Banks, whose financial results reflect the Group's share in profit from associates of INR 146 crores for the half year ended September 30, 2018 are not reviewed by their auditors and have been included in the consolidated financial results on the basis of management certified information.

4. We have relied on the intra group balances and transactions pertaining to the various circles/ units of the bank as certified by the respective joint auditors of the Bank for the purpose of elimination of intragroup balances and transactions.

5. Based on our review conducted as above and subject to limitations in scope as mentioned in paras 3 and 4 above, nothing has come to our attention that causes us to believe that the accompanying statement of unaudited consolidated financial results prepared in accordance with applicable accounting standards and other recognized accounting practices and policies has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including the manner in which it is to be disclosed, or that it contains any material misstatement or that it has not been prepared in accordance with the relevant prudential norms issued by the Reserve Bank of India in respect of income recognition, asset classification, provisioning and other related matters.

6. **Emphasis of Matter**

We draw attention to:

a) Note no 6, regarding unamortized balance of INR 902.50 Crores on account of additional liability towards Gratuity.

b) Note no 9, regarding the maintenance of status quo in respect of provision on a borrower's accounts, for reasons stated therein.

Our conclusion is not modified in respect of the above stated matters.

For **VARMA & VARMA**
Chartered Accountants
FRN 004532S

P R Prasanna Varma
Partner
M. No.025854

Place: Mumbai
Date: November 05, 2018

MUMBAI

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State Bank of India (Consolidated)
Unaudited Financial Results for the Half Year ended 30th September 2018

(Rs. in crore)

	Quarter ended			Half Year ended		Year ended
	30.09.2018 (Unaudited)	30.06.2018 (Unaudited)	30.09.2017 (Unaudited)	30.09.2018 (Unaudited)	30.09.2017 (Unaudited)	31.03.2018 (Audited)
1. Interest Earned (a) + (b) + (c) + (d)	**61,426.85**	**61,200.50**	**56,927.83**	**1,22,627.35**	**1,13,746.28**	**2,28,970.28**
a) Interest/discount on advances/bills	39,475.93	39,916.90	36,707.51	79,392.83	73,657.49	1,44,958.59
b) Income on Investments	20,541.11	19,893.97	18,446.41	40,435.08	36,110.15	75,036.62
c) Interest on balances with RBI and other inter bank funds	261.11	280.99	811.52	542.10	1,794.84	2,410.75
d) Others	1,148.70	1,108.64	962.39	2,257.34	2,183.80	6,564.32
2. Other Income	17,875.87	13,792.91	18,020.68	31,668.78	31,978.76	72,521.03
3. TOTAL INCOME (1+2)	**79,302.72**	**74,993.41**	**74,948.51**	**1,54,296.13**	**1,45,725.04**	**3,01,491.31**
4. Interest Expended	38,268.74	37,272.27	36,476.23	75,541.01	73,971.64	1,46,602.98
5. Operating Expenses (i) + (ii)	27,279.63	24,286.65	22,758.70	51,566.28	42,622.65	96,154.37
i) Employee Cost	10,346.80	10,346.20	8,226.22	20,693.00	16,443.40	35,410.62
ii) Other Operating Expenses	16,932.83	13,940.45	14,532.48	30,873.28	26,179.25	60,743.75
6. TOTAL EXPENDITURE (4) + (5) (excluding provisions and contingencies)	**65,548.37**	**61,558.92**	**59,234.93**	**1,27,107.29**	**1,16,594.29**	**2,42,757.35**
7. OPERATING PROFIT (3 - 6) (Profit before provisions and contingencies)	13,754.35	13,434.49	15,713.58	27,188.84	29,130.75	58,733.96
8. Provisions (Other than tax) and contingencies (net of write-back)	12,270.49	19,499.21	19,332.24	31,769.70	28,383.47	76,015.08
--- *of which provisions for Non-performing assets*	10,381.31	13,214.95	16,842.18	23,596.26	29,069.78	71,525.99
9. Exceptional Items	466.48	-	5,036.21	466.48	5,036.21	5,036.21
10. Profit/(Loss) from Ordinary Activities before tax (7-8+9)	1,950.34	(6,064.72)	1,417.55	(4,114.38)	5,783.49	(12,244.91)
11. Tax Expenses	1,198.76	(2,008.49)	(534.75)	(809.73)	725.84	(8,057.50)
12. Net Profit/(Loss) from Ordinary Activities after tax (10-11)	**751.58**	**(4,056.23)**	**1,952.30**	**(3,304.65)**	**5,057.65**	**(4,187.41)**
13. Extraordinary Items (net of tax expenses)	-	-	-	-	-	-
14. Net Profit/(Loss) for the period (12 + 13)	**751.58**	**(4,056.23)**	**1,952.30**	**(3,304.65)**	**5,057.65**	**(4,187.41)**
15. Share in Profit of Associates	63.55	82.67	105.78	146.22	192.48	438.16
16. Share of Minority	238.67	256.88	217.65	495.55	377.82	807.04
17. Net Profit/(Loss) for the Group (14 + 15 - 16)	**576.46**	**(4,230.44)**	**1,840.43**	**(3,653.98)**	**4,872.31**	**(4,556.29)**
Earnings per share of Rs. 1/- each (basic and diluted, not annualised) - in rupees	0.65	(4.74)	2.11	(4.10)	5.77	(5.34)

Summarised Statement of Assets & Liabilities

(Rs. in crore)

	30.09.2018 (Unaudited)	30.06.2018 (Unaudited)	30.09.2017 (Unaudited)	31.03.2018 (Audited)
CAPITAL AND LIABILITIES				
Capital	892.46	892.46	863.21	892.46
Reserves & Surplus	2,28,669.92	2,25,913.32	2,41,106.51	2,29,429.49
Minority Interest	5,270.03	4,841.86	4,526.03	4,615.24
Deposits	28,39,115.31	27,77,893.19	26,40,032.49	27,22,178.28
Borrowings	3,39,814.94	2,71,144.63	2,54,905.86	3,69,079.34
Other liabilities and Provisions	2,56,418.23	2,44,528.89	2,42,581.25	2,90,238.19
Total Capital and Liabilities	**36,70,180.89**	**35,25,214.35**	**33,84,015.35**	**36,16,433.00**
ASSETS				
Cash and Balances with Reserve Bank of India	1,30,221.46	1,28,770.41	1,29,639.00	1,50,769.46
Balances with Banks and money at call and short notice	45,265.29	44,494.35	50,715.61	44,519.65
Investments	12,18,855.44	11,94,317.13	11,28,438.95	11,83,794.24
Advances	19,94,970.64	19,12,595.76	18,34,761.44	19,60,118.54
Fixed Assets	40,985.19	41,394.26	51,506.78	41,225.79
Other Assets	2,39,882.87	2,03,642.44	1,88,953.57	2,36,005.32
Total Assets	**36,70,180.89**	**35,25,214.35**	**33,84,015.35**	**36,16,433.00**
Paid-up equity share capital (face value of Re. 1 each)	892.46	892.46	863.21	892.46
Reserves excluding Revaluation Reserve as on 31st March 2018				2,04,581.50

VARMA & VARMA MUMBAI CHARTERED ACCOUNTANTS

State Bank of India (Consolidated)
Unaudited Segment-wise Revenue, Results, Assets & Liabilities

(Rs. in crore)

		Particulars	Quarter ended			Half year ended		Year ended
			30.09.2018 (Unaudited)	30.06.2018 (Unaudited)	30.09.2017 (Unaudited)	30.09.2018 (Unaudited)	30.09.2017 (Unaudited)	31.03.2018 (Audited)
1		**Segment Revenue (Income)**						
	a)	Treasury Operations (before exceptional items)	20,631.22	17,962.61	21,971.95	38,593.83	42,430.38	82,163.87
	b)	Corporate/Wholesale Banking Operations	17,305.53	19,714.57	17,301.84	37,020.10	32,139.99	64,365.45
	c)	Retail Banking Operations	29,131.81	28,286.59	26,424.59	57,418.40	54,492.06	1,11,963.61
	d)	Insurance Business	10,201.93	7,305.74	7,728.98	17,507.67	13,549.22	34,088.22
	e)	Other Banking Operations	2,768.07	2,496.28	2,011.18	5,264.35	3,705.56	8,637.67
	f)	Unallocated	68.64	58.83	9.32	127.47	337.20	2,571.02
		Total	**80,107.20**	**75,824.62**	**75,447.86**	**1,55,931.82**	**1,46,654.41**	**3,03,789.84**
		Less: Inter Segment Revenue	804.48	831.21	499.35	1,635.69	929.37	2,298.53
		Net Segment Revenue (Income)	**79,302.72**	**74,993.41**	**74,948.51**	**1,54,296.13**	**1,45,725.04**	**3,01,491.31**
2		**Segment Results**						
	a.i)	Treasury Operations (before exceptional items)	46.91	(6,243.85)	3,680.91	(6,196.94)	7,024.35	(16.83)
	a.ii)	Add: Exceptional items	466.48	-	5,036.21	466.48	5,036.21	5,036.21
	a.iii)	Treasury Operations (after exceptional items)	513.39	(6,243.85)	8,717.12	(5,730.46)	12,060.56	5,019.38
	b)	Corporate/Wholesale Banking Operations	(3,634.81)	(1,791.00)	(12,874.38)	(5,425.81)	(14,084.48)	(38,316.71)
	c)	Retail Banking Operations	4,958.20	1,815.97	5,744.91	6,774.17	8,037.28	19,464.25
	d)	Insurance Business	434.56	628.25	502.76	1,062.81	997.05	1,832.28
	e)	Other Banking Operations	633.51	478.37	476.31	1,111.88	867.12	1,680.23
		Total	**2,904.85**	**(5,112.26)**	**2,566.72**	**(2,207.41)**	**7,877.53**	**(10,320.57)**
	f)	Add/(Less) : Unallocated (Net)	(954.51)	(952.46)	(1,149.17)	(1,906.97)	(2,094.04)	(1,924.34)
		Profit/(Loss) from ordinary activities before Tax	**1,950.34**	**(6,064.72)**	**1,417.55**	**(4,114.38)**	**5,783.49**	**(12,244.91)**
		Less : Tax Expenses	1,198.76	(2,008.49)	(534.75)	(809.73)	725.84	(8,057.50)
		Add/(Less) : Extraordinary Profit/(Loss)	-	-	-	-	-	-
		Net Profit/(Loss) before share in profit of Associates and Minority Interest	**751.58**	**(4,056.23)**	**1,952.30**	**(3,304.65)**	**5,057.65**	**(4,187.41)**
		Add: Share in Profit of Associates	63.55	82.67	105.78	146.22	192.48	438.16
		Less : Minority Interest	238.67	256.88	217.65	495.55	377.82	807.04
		Net Profit/(Loss) for the group	**576.46**	**(4,230.44)**	**1,840.43**	**(3,653.98)**	**4,872.31**	**(4,556.29)**
3		***Segment Assets***						
	a)	Treasury Operations	11,22,478.98	10,91,436.34	10,47,161.96	11,22,478.98	10,47,161.96	10,85,909.92
	b)	Corporate/Wholesale Banking Operations	10,14,490.12	9,48,105.47	9,44,031.89	10,14,490.12	9,44,031.89	10,24,506.47
	c)	Retail Banking Operations	13,23,826.31	12,87,675.37	12,24,288.52	13,23,826.31	12,24,288.52	13,19,933.76
	d)	Insurance Business	1,36,085.38	1,30,666.24	1,14,361.88	1,36,085.38	1,14,361.88	1,27,099.09
	e)	Other Banking Operations	29,996.07	28,062.91	19,792.35	29,996.07	19,792.35	27,548.89
	f)	Unallocated	43,304.03	39,268.02	34,378.75	43,304.03	34,378.75	31,434.87
		Total	**36,70,180.89**	**35,25,214.35**	**33,84,015.35**	**36,70,180.89**	**33,84,015.35**	**36,16,433.00**
4		***Segment Liabilities***						
	a)	Treasury Operations	7,91,772.41	7,10,399.99	7,99,304.83	7,91,772.41	7,99,304.83	8,10,044.02
	b)	Corporate/Wholesale Banking Operations	10,71,388.46	10,08,384.08	9,80,266.41	10,71,388.46	9,80,266.41	10,63,520.41
	c)	Retail Banking Operations	13,63,617.65	13,74,873.23	11,73,786.64	13,63,617.65	11,73,786.64	13,11,488.36
	d)	Insurance Business	1,27,298.54	1,22,241.06	1,06,775.76	1,27,298.54	1,06,775.76	1,19,097.01
	e)	Other Banking Operations	22,443.43	21,408.96	13,840.43	22,443.43	13,840.43	21,136.24
	f)	Unallocated	64,098.02	61,101.25	68,071.56	64,098.02	68,071.56	60,825.01
		Capital and Reserves & Surplus	2,29,562.38	2,26,805.78	2,41,969.72	2,29,562.38	2,41,969.72	2,30,321.95
		Total	**36,70,180.89**	**35,25,214.35**	**33,84,015.35**	**36,70,180.89**	**33,84,015.35**	**36,16,433.00**

State Bank of India
Consolidated Cash flow statement for the Half Year ended 30th September 2018

(Rs. in crore)

PARTICULARS		Half Year ended 30.09.2018	Year ended 31.03.2018
CASH FLOW FROM OPERATING ACTIVITIES			
Net Profit before taxes (including share in profit from associates and net of minority interest)		(4,463.70)	(12,613.79)
Adjustments for :			
Depreciation on Property, Plant & Equipment		1,699.15	3,105.07
(Profit)/Loss on sale of Property, Plant & Equipment (Net)		10.84	30.73
(Profit)/Loss on revaluation of Investments (Net)		2,124.04	1,120.61
(Profit)/Loss on sale of Investments in Subsidiaries/Joint Ventures/ Associates		466.48	(5,134.30)
Provision for diminution in fair value & Non Performing Assets		23,596.26	71,525.99
Provision on Standard Assets		(780.14)	(3,584.56)
Provision for Depreciation on Investments		8,874.81	8,177.30
Other Provisions including provision for contingencies		78.77	(103.65)
Share in Profit of Associates		(146.22)	(438.16)
Dividend from Associates		(3.20)	(15.46)
Interest on Capital Instruments		2,004.50	4,554.43
		33,461.59	66,624.21
Changes in:			
Increase/(Decrease) in Deposits		1,16,937.03	1,21,391.85
Increase/(Decrease) in Borrowings other than Capital Instruments		(26,983.69)	44,832.15
(Increase)/Decrease in Investments other than Investment in Subsidiaries / Joint Ventures / Associates		(45,906.55)	(1,64,770.34)
(Increase)/Decrease in Advances		(58,448.37)	(1,34,190.22)
Increase/(Decrease) in Other Liabilities		(33,550.29)	(111.92)
(Increase)/Decrease in Other Assets		(673.57)	(22,273.22)
		(15,163.85)	(88,497.49)
Tax refund / (Taxes paid)		(2,394.61)	(8,010.42)
NET CASH GENERATED FROM / (USED IN) OPERATING ACTIVITIES	(A)	(17,558.46)	(96,507.91)
CASH FLOW FROM INVESTING ACTIVITIES			
(Increase)/Decrease in Investments in Subsidiaries/Joint Ventures/ Associates		(7.28)	104.84
Profit/ (Loss) on sale of Investments in Subsidiaries/Joint Ventures/ Associates		(466.48)	5,134.30
Dividend from Associates		3.20	15.46
(Increase)/Decrease in Property, Plant & Equipment		(1,469.38)	6,601.83
(Increase)/Decrease in Goodwill on Consolidation		-	(790.66)
NET CASH GENERATED FROM / (USED IN) INVESTING ACTIVITIES	(B)	(1,939.94)	11,065.77
CASH FLOW FROM FINANCING ACTIVITIES			
(Expenses on Shares issued and allotted on 27 March 2018) / Proceeds from issue of Equity shares net of issue expense		99.50	23,782.45
Issue/redemption of Capital Instruments (Net)		(2,280.70)	(12,118.47)
Interest on Capital Instruments		(2,004.50)	(4,554.43)
Dividend paid including tax thereon		-	(2,416.27)
Dividend tax paid by Subsidiaries/Joint Ventures		-	(143.59)
Increase/(Decrease) in Minority Interest		654.78	997.47
NET CASH GENERATED FROM / (USED IN) FINANCING ACTIVITIES	(C)	(3,530.92)	5,547.16
EFFECT OF EXCHANGE FLUCTUATION ON TRANSLATION RESERVE	(D)	3,226.96	1,305.18
CASH AND CASH EQUIVALENTS RECEIVED ON ACCOUNT OF MERGER OF BHARATIYA MAHILA BANK	(E)	-	681.75
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A)+(B)+(C)+(D)+(E)		(19,802.36)	(77,908.05)
CASH AND CASH EQUIVALENTS AS AT 1ST APRIL		1,95,289.11	2,73,197.16
CASH AND CASH EQUIVALENTS AT PERIOD END		1,75,486.75	1,95,289.11

Note: Components of Cash & Cash Equivalents as at:	30.09.2018	31.03.2018
Cash & Balances with RBI	1,30,221.46	1,50,769.46
Balances with Banks and money at call & short notice	45,265.29	44,519.65
Total	1,75,486.75	1,95,289.11

Notes on Consolidated Financial Statements

1. The financial results have been drawn from financial statements prepared in accordance with Accounting Standard (AS-25) on "Interim Financial Reporting".

2. The above financial results have been reviewed by the Audit Committee of the Board at their meeting held on the same day and approved by the Board of Directors at their meeting held on November 05, 2018. The results have been subjected to a limited review by the Statutory Central Auditor of the Bank.

3. The Unaudited Consolidated Financial Results of State Bank of India (SBI), include the results of its 29 Subsidiaries, 8 Joint Ventures and 20 Associates including 18 Regional Rural Banks, referred to as the 'Group'.

4. The financial results of the Group for the quarter/six months ended September 30, 2018 have been arrived at after considering necessary provisions for NPAs, Standard Assets, Standard Derivative Exposures, restructured assets and Investment Depreciation/provision on the basis of prudential norms and directions issued by the RBI. Provisions for Contingencies, Employee Benefits including provision for wage revision, Direct Taxes (after adjustment for Deferred Tax) and for other items / assets are made on estimates.

5. The above results for the quarter/six months ended September 30, 2018 have been prepared, following the same accounting Policies as followed in the annual financial statements for the year ended March 31, 2018.

6. RBI vide letter DBR BP. 9730/21.04.018/2017-18 dated April 27, 2018 permitted to spread the additional liability on account of the enhancement in gratuity limits to INR 20 Lakhs over four quarters beginning with the quarter ended March 31, 2018. Accordingly, SBI had availed the relaxation permitted and had provided an amount of INR 902.50 crore for the quarter ended March 31, 2018 and June 30, 2018 being one-fourth of the total additional liability of INR 3610 crore.

MUMBAI

Out of the remaining unamortised liability of INR 1805 crore, an amount of INR 902.50 crore have been recognised in profit and loss account for the quarter ended September 30, 2018 and the unamortised liability as on September 30, 2018 is INR 902.50 crore.

7. Advances granted to various companies belonging to a group in the infrastructure sector, against certain identified cash flows and pertaining to specific assets and Investments in the group are classified as 'Standard' as at September 30, 2018 in accordance with the RBI Master Circular- Prudential norms on Income Recognition, Assets Classification and provisioning pertaining to Advances/Investments. Some assets may turn stressed, therefore SBI's management is monitoring the developments and will take appropriate action in accordance with applicable RBI regulations, as more information on the potential resolution plan becomes available.

8. RBI vide Circular no. DBR.No.BP.BC.108/21.04.048/2017-18 dated June 6, 2018 permitted banks to continue the exposures to MSME borrowers to be classified as standard assets where the dues between September 1, 2017 and December 31, 2018 have not been paid not later than 180 days from their respective original due dates. Accordingly, SBI has retained advances of INR 506.35 crore as standard asset as on September 30, 2018. In accordance with the provisions of the circular, SBI has not recognized interest on these accounts and is maintaining a standard asset provision of INR 25.32 crore as on September 30, 2018 in respect of such borrowers.

9. As at September 30, 2018, the account classification of an account under NCLT - I has changed from D2 to D3 requiring 100% provision as against existing provision of 50%. SBI has maintained status quo in respect of provision held INR 5,264 crores, in view of estimated full recovery of 100% of the book value of NPA, as per resolution plan filed in NCLT.

10. As per RBI Circular no. DBR.No.BP.15199/21.04.048/2016-17 and DBR.No.BP.1906/21.04.048/2017-18 dated June 23, 2017 and August 28, 2017 respectively, for the accounts covered under the provisions of Insolvency and Bankruptcy Code (IBC), SBI is holding total provision of INR 36,656 crore (68.68 % of total outstanding) as on September 30, 2018.

MUMBAI

11. SBI has made a provision of INR 1,992 crore for the half year ended September 30, 2018 (Total INR 3,651.41 crore) towards arrears of wages due for revision w.e.f. November 1, 2017.

12. Exceptional items includes net profit of INR 466.48 crore on sale of partial investments in SBI General Insurance Company Limited (a Non-Banking Subsidiary). The stake of SBI group in SBI General Insurance Company Limited has reduced from 74.00% to 70.00%.

13. SBI has transferred its merchant acquiring business (MAB) to SBI Payment Services Private Limited (SBIPSPL) (a wholly owned subsidiary) pursuant to a business transfer agreement dated September 29, 2018 for a consideration of INR 1,250 crore. Subsequent to quarter end, SBIPSPL has entered into a joint venture agreement for sale of 26% stake to the JV partner. Necessary regulatory approvals have been sought for. SBI does not foresee any uncertainties for obtaining approvals and realisation of consideration.

14. In the month of April 2018, State Bank of India (UK) Limited (a wholly owned subsidiary) has commenced its operation. SBI has infused GBP 17.50 crore equivalent to INR 1,604.43 crore as paid up capital in SBI (UK) Limited.

15. In the month of April 2018, State Bank of India has infused INR 7.28 crore in Rajasthan Marudhara Gramin Bank (an associate).

16. In the month of May 2018, SBI has infused INR 30 crore in Jio Payments Bank Limited (a joint venture). The SBI's group stake in Jio Payments Bank Limited remains the same.

17. In the month of August 2018, SBI has infused INR 347.80 crore in SBI Cards & Payment Services Private Limited (a subsidiary). The SBI's group stake in SBI Cards & Payment Services Private Limited remains the same.

18. In the month of August 2018, SBI has infused INR 2.50 crore in SBI Payment Services Private Limited (a wholly owned subsidiary).The SBI's group stake in SBI Payment Services Private Limited remains the same.

19. Previous period / year figures have been regrouped/reclassified, wherever necessary, to conform to current period classifications.

Anshula Kant	**Arijit Basu**	**Dinesh Kumar Khara**	**P K Gupta**
Managing Director	**Managing Director**	**Managing Director**	**Managing Director**
(SARC)	**(CCG & IT)**	**(GB & S)**	**(R & D B)**

Rajnish Kumar
Chairman

In terms of our Review Report of even date
For Varma & Varma
Chartered Accountants

P R Prasanna Varma
Partner
M. No. 025854
(Firm Regn. No. 004532 S)

MUMBAI

Place : Mumbai
Date : November 05, 2018

To
The Board of Directors
State Bank of India,
State Bank Bhavan,
Madame Cama Road,
Mumbai- 400021

LIMITED REVIEW REPORT ON UNAUDITED FINANCIAL RESULTS OF STATE BANK OF INDIA FOR THE QUARTER & SIX MONTHS ENDED SEPTEMBER 30, 2018

Introduction

1. We have reviewed the accompanying statement of unaudited standalone financial results ('the Statement') of State Bank of India ('the Bank') for the quarter & six months ended September 30, 2018, attached herewith, being submitted by the Bank pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 except for the disclosure relating to 'Consolidated Pillar 3 Disclosure as at September 30, 2018 including leverage ratio and liquidity coverage ratio under Basel III Capital Regulations' as have been disclosed on the Bank's website and in respect of which a link has been provided in the aforesaid financial results (Note no: 5), which has not been reviewed by us. This statement is the responsibility of the Bank's Management and has been approved by the Board of Directors. Our responsibility is to issue a report on these financial results based on our review.

Scope of Review

2. We conducted our review in accordance with the Standard on Review Engagement (SRE) 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of the Bank's personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

3. The financial results incorporate the relevant returns of 42 branches reviewed by us, 42 foreign branches out of which 18 reviewed by the Local Auditors of the foreign Branches and 24 certified by respective branch managers and unreviewed returns in respect of 22,192 branches. The financial results also incorporate the relevant returns of Central Accounts Offices and Global Market Units. In the conduct of our review we have relied on the review reports in respect of non-performing assets certified by the Branch Managers of the bank of 1653 branches and 59 Internal Concurrent Auditors. These review reports cover 61.38% of the advances portfolio of the bank and 88.71% of the non-performing assets of the bank. Apart from these review reports, we have also relied upon various returns received from the unreviewed branches of the bank.

Conclusion

4. Based on our review conducted as above and subject to the matters mentioned in Para 3 above, nothing has come to our attention that causes us to believe that the accompanying statement of unaudited financial results including notes thereon prepared in accordance with applicable accounting standards and other recognized accounting practices and policies has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including the manner in which it is to be disclosed, or that it contains any material misstatement or that it has not been prepared in accordance with the relevant prudential norms issued by the Reserve Bank of India in respect of income recognition, asset classification, provisioning and other related matters.

5. **Emphasis of Matter**

We draw attention to:

a) Note no 6, regarding unamortized balance of INR 902.50 Crores on account of additional liability towards Gratuity; and

b) Note no 9, regarding the maintenance of status quo in respect of provision on a borrower's accounts, for reasons stated therein.

c) Note no 12(b), regarding transfer of merchant acquiring business (MAB) to a wholly owned subsidiary. The realizability of the consideration would depend on infusion of funds by the joint venture partner into the subsidiary after necessary regulatory approvals.

Our conclusion is not modified in respect of the above stated matters.

For Varma & Varma Chartered Accountants P R Prasanna Varma Partner : M.No.025854 Firm Regn. No. 004532 S	**For Manubhai & Shah LLP** Chartered Accountants Hitesh M. Pomal Partner: M.No.106137 FirmRegn.No.106041W/W100136	**For M Bhaskara Rao & Co.** Chartered Accountants M V Ramana Murthy Partner : M.No.206439 Firm Regn. No.000459 S
For GSA & Associates Chartered Accountants Sunil Aggarwal Partner : M No.083899 Firm Regn. No. 000257 N	**For Chatterjee & Co.** Chartered Accountants Bedanta Bhattacharya Partner : M No.060855 Firm Regn. No.302114 E	**For Bansal & Co LLP** Chartered Accountants DR D.S. Rawat Partner : M.No.083030 FirmRegn.No.001113N/N500079
For Amit Ray & Co. Chartered Accountants Basudeb Banerjee Partner : M No.070468 Firm Regn. No. 000483 C	**For S L Chhajed & Co.** Chartered Accountants Abhay Chhajed Partner : M No.079662 Firm Regn. No.000709 C	**For Mittal Gupta & Co.** Chartered Accountants Akshay Kumar Gupta Partner: M.No. 070744 Firm Regn. No. 001874 C

For Rao & Kumar.
Chartered Accountants

Anirban Pal
Partner : M.No.214919
Firm Regn. No. 003089 S

For Brahmayya & Co
Chartered Accountants

K. Jitendra Kumar
Partner : M No.201825
Firm Regn. No.000511 S

For Ray & Ray
Chartered Accountants

Abhijit Neogi
Partner : M No. 61380
Firm Regn. No. 301072 E

For Chaturvedi & Shah
Chartered Accountants

Vitesh D. Gandhi
Partner : M No. 110248
Firm Regn. No. 101720 W

For S K Mittal & Co
Chartered Accountants

M. K. Juneja
Partner : M No. 013317
Firm Regn. No. 001135 N

Place : Mumbai
Date : November 05, 2018

STATE BANK OF INDIA

CORPORATE CENTRE, MUMBAI - 400 021

UNAUDITED FINANCIAL RESULTS FOR THE QUARTER/ HALF YEAR ENDED SEPTEMBER 30, 2018

(Rs. in crore)

S. No.	Particulars	Standalone						Consolidated					
		Quarter ended			Half year ended		Year ended	Quarter ended			Half year ended		Year ended
		30.09.2018	30.06.2018	30.09.2017	30.09.2018	30.09.2017	31.03.2018	30.09.2018	30.06.2018	30.09.2017	30.09.2018	30.09.2017	31.03.2018
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
1	Interest earned (a)+(b)+(c)+(d)	**58,793.48**	**58,813.18**	**54,849.72**	**1,17,606.66**	**1,09,755.14**	**2,20,499.31**	**61,426.85**	**61,200.50**	**56,927.83**	**1,22,627.35**	**1,13,746.28**	**2,28,970.28**
	(a) Interest/ discount on advances/ bills	38,326.50	38,865.48	35,801.23	77,191.98	71,942.92	1,41,363.17	39,475.93	39,916.90	36,707.51	79,392.83	73,657.49	1,44,958.59
	(b) Income on investments	19,080.46	18,587.51	17,314.71	37,667.97	33,912.42	70,337.61	20,541.11	19,893.97	18,446.41	40,435.08	36,110.15	75,036.62
	(c) Interest on balances with Reserve Bank of India and other inter-bank funds	229.26	244.59	773.20	473.85	1,718.99	2,250.00	261.11	280.99	811.52	542.10	1,794.84	2,410.75
	(d) Others	1,157.26	1,115.60	960.58	2,272.86	2,180.81	6,548.53	1,148.70	1,108.64	962.39	2,257.34	2,183.80	6,564.32
2	Other income	**7,814.50**	**6,679.49**	**10,579.91**	**14,493.99**	**18,585.57**	**39,164.52**	**17,875.87**	**13,792.91**	**18,020.68**	**31,668.78**	**31,978.76**	**72,521.03**
3	TOTAL INCOME (1)+(2)	**66,607.98**	**65,492.67**	**65,429.63**	**1,32,100.65**	**1,28,340.71**	**2,59,663.83**	**79,302.72**	**74,993.41**	**74,948.51**	**1,54,296.13**	**1,45,725.04**	**3,01,491.31**
4	Interest expended	**37,887.79**	**37,014.82**	**36,263.82**	**74,902.61**	**73,563.23**	**1,45,645.60**	**38,268.74**	**37,272.27**	**36,476.23**	**75,541.01**	**73,971.64**	**1,46,602.98**
5	Operating expenses (e)+(f)	**16,375.89**	**16,504.72**	**14,602.84**	**32,880.61**	**28,340.45**	**59,943.45**	**27,279.63**	**24,286.65**	**22,758.70**	**51,566.28**	**42,622.65**	**96,154.37**
	(e) Employee cost	9,696.37	9,708.42	7,703.24	19,404.79	15,427.72	33,178.68	10,346.80	10,346.20	8,226.22	20,693.00	16,443.40	35,410.62
	(f) Other operating expenses	6,679.52	6,796.30	6,899.60	13,475.82	12,912.73	26,764.77	16,932.83	13,940.45	14,532.48	30,873.28	26,179.25	60,743.75
6	TOTAL EXPENDITURE (excluding provisions and contingencies) (4)+(5)	**54,263.68**	**53,519.54**	**50,866.66**	**1,07,783.22**	**1,01,903.68**	**2,05,589.05**	**65,548.37**	**61,558.92**	**59,234.93**	**1,27,107.29**	**1,16,594.29**	**2,42,757.35**
7	OPERATING PROFIT (before provisions and contingencies) (3)-(6)	**12,344.30**	**11,973.13**	**14,562.97**	**24,317.43**	**26,437.03**	**54,074.78**	**13,754.35**	**13,434.49**	**15,713.58**	**27,188.84**	**29,130.75**	**58,733.96**
8	Provisions (other than tax) and contingencies (net of write backs)	12,092.17	19,228.26	19,137.43	31,320.43	28,066.91	75,039.19	12,270.49	19,499.21	19,332.24	31,769.70	28,383.47	76,015.08
	Provisions for non-performing assets included above	10,184.50	13,037.90	16,715.20	23,222.40	28,840.46	70,680.24	10,381.31	13,214.95	16,842.18	23,596.26	29,069.78	71,525.99
9	Exceptional items	1,560.55	-	5,436.17	1,560.55	5,436.17	5,436.17	466.48	-	5,036.21	466.48	5,036.21	5,036.21
10	PROFIT/ (LOSS) FROM ORDINARY ACTIVITIES BEFORE TAX (7)-(8)+(9)	**1,812.68**	**-7,255.13**	**861.71**	**-5,442.45**	**3,806.29**	**-15,528.24**	**1,950.34**	**-6,064.72**	**1,417.55**	**-4,114.38**	**5,783.49**	**-12,244.91**
11	Tax expense/ (credit)	867.81	-2,379.28	-719.84	-1,511.47	219.21	-8,980.79	1,198.76	-2,008.49	-534.75	-809.73	725.84	-8,057.50
12	NET PROFIT/ (LOSS) FROM ORDINARY ACTIVITIES AFTER TAX (10)-(11)	**944.87**	**-4,875.85**	**1,581.55**	**-3,930.98**	**3,587.08**	**-6,547.45**	**751.58**	**-4,056.23**	**1,952.30**	**-3,304.65**	**5,057.65**	**-4,187.41**
13	Extraordinary items (net of tax expense)	-	-	-	-	-	-	-	-	-	-	-	-
14	NET PROFIT/ (LOSS) FOR THE PERIOD (12)-(13)	**944.87**	**-4,875.85**	**1,581.55**	**-3,930.98**	**3,587.08**	**-6,547.45**	**751.58**	**-4,056.23**	**1,952.30**	**-3,304.65**	**5,057.65**	**-4,187.41**
15	Share in profit of associates							63.55	82.67	105.78	146.22	192.48	438.16
16	Share of minority							238.67	256.88	217.65	495.55	377.82	807.04
17	NET PROFIT/ (LOSS) AFTER MINORITY INTEREST (14)+(15)-(16)	**944.87**	**-4,875.85**	**1,581.55**	**-3,930.98**	**3,587.08**	**-6,547.45**	**576.46**	**-4,230.44**	**1,840.43**	**-3,653.98**	**4,872.31**	**-4,556.29**
18	Paid-up equity share capital (face value of ₹1/- each)	892.46	892.46	863.21	892.46	863.21	892.46	892.46	892.46	863.21	892.46	863.21	892.46
19	Reserves excluding revaluation reserves						193,388.12						204,581.50
20	Analytical ratios												
	(i) Percentage of shares held by Government of India	57.70%	57.66%	57.07%	57.70%	57.07%	58.03%	57.70%	57.66%	57.07%	57.70%	57.07%	58.03%
	(ii) Capital adequacy ratio (Basel III)	12.61%	12.83%	13.56%	12.61%	13.56%	12.60%						
	(a) CET 1 ratio	9.65%	9.80%	10.24%	9.65%	10.24%	9.68%						
	(b) Additional tier 1 ratio	0.71%	0.73%	0.72%	0.71%	0.72%	0.68%						
	(iii) Earnings per share (EPS) (₹)												
	(a) Basic and diluted EPS before Extraordinary items (net of tax expense)	1.06	-5.46	1.83	-4.40	4.26	-7.67	0.65	-4.74	2.11	-4.10	5.77	-5.34
	(Quarter/ half year numbers not annualised)												
	(b) Basic and diluted EPS after Extraordinary items (net of tax expense)	1.06	-5.46	1.83	-4.40	4.26	-7.67	0.65	-4.74	2.11	-4.10	5.77	-5.34
	(Quarter numbers/ half year numbers not annualised)												
	(iv) NPA ratios												
	(a) Amount of gross non-performing assets	2,05,864.12	2,12,839.92	1,86,114.60	2,05,864.12	1,86,114.60	2,23,427.46						
	(b) Amount of net non-performing assets	94,809.98	99,236.26	97,896.29	94,809.98	97,896.29	1,10,854.70						
	(c) % of gross NPAs	9.95%	10.69%	9.83%	9.95%	9.83%	10.91%						
	(d) % of net NPAs	4.84%	5.29%	5.43%	4.84%	5.43%	5.73%						
	(v) Return on assets (Net Assets basis-Annualised)	0.11%	-0.57%	0.20%	-0.23%	0.22%	-0.19%						

STATE BANK OF INDIA

CORPORATE CENTRE, MUMBAI - 400 021

UNAUDITED SEGMENTWISE REVENUE, RESULTS, ASSETS & LIABILITIES

(Rs. in crore)

S. No.		Particulars	Standalone						Consolidated					
			Quarter ended			Half year ended		Year ended	Quarter ended			Half year ended		Year ended
			30.09.2018	30.06.2018	30.09.2017	30.09.2018	30.09.2017	31.03.2018	30.09.2018	30.06.2018	30.09.2017	30.09.2018	30.09.2017	31.03.2018
			(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
1		Segment Revenue												
	a	Treasury operations (before exceptional items)	20,588.63	17,869.25	22,000.16	38,457.88	41,974.08	82,020.76	20,631.22	17,962.61	21,971.95	38,593.83	42,430.38	82,163.87
	b	Corporate/ Wholesale Banking operations	17,021.57	19,341.76	17,010.25	36,363.33	31,583.69	63,280.84	17,305.53	19,714.57	17,301.84	37,020.10	32,139.99	64,365.45
	c	Retail Banking operations (before exceptional items)	28,989.08	28,234.56	26,418.62	57,223.64	54,458.79	1,11,809.55	29,131.81	28,286.59	26,424.59	57,418.40	54,492.06	1,11,963.61
	d	Insurance Business							10,201.93	7,305.74	7,728.98	17,507.67	13,549.22	34,088.22
	e	Other Banking operations							2,768.07	2,496.28	2,011.18	5,264.35	3,705.56	8,637.67
	f	Add/ (Less): Unallocated	8.70	47.10	0.60	55.80	324.15	2,552.68	68.64	58.83	9.32	127.47	337.20	2,571.02
		Total Segment Revenue	**66,607.98**	**65,492.67**	**65,429.63**	**1,32,100.65**	**1,28,340.71**	**2,59,663.83**	**80,107.20**	**75,824.62**	**75,447.86**	**1,55,931.82**	**1,46,654.41**	**3,03,789.84**
		Less: Inter Segment Revenue							804.48	831.21	499.35	1,635.69	929.37	2,298.53
		Net Segment Revenue	**66,607.98**	**65,492.67**	**65,429.63**	**1,32,100.65**	**1,28,340.71**	**2,59,663.83**	**79,302.72**	**74,993.41**	**74,948.51**	**1,54,296.13**	**1,45,725.04**	**3,01,491.31**
2		Segment Results												
	a (i)	Treasury operations (before exceptional items)	36.83	-6,257.76	3,772.01	-6,220.93	6,654.23	48.05	46.91	-6,243.85	3,680.91	-6,196.94	7,024.35	-16.83
	a (ii)	Add: Exceptional items	473.12	-	5,436.17	473.12	5,436.17	5,436.17	466.48	-	5,036.21	466.48	5,036.21	5,036.21
	a (iii)	Treasury operations (after exceptional items)	509.95	-6,257.76	9,208.18	-5,747.81	12,090.40	5,484.22	513.39	-6,243.85	8,717.12	-5,730.46	12,060.56	5,019.38
	b	Corporate/ Wholesale Banking operations	-3,727.55	-1,877.37	-12,947.94	-5,604.92	-14,226.53	-38,498.98	-3,634.81	-1,791.00	-12,874.38	-5,425.81	-14,084.48	-38,316.71
	c	Retail Banking operations	4,898.18	1,831.78	5,750.87	6,729.96	8,036.98	19,412.16	4,958.20	1,815.97	5,744.91	6,774.17	8,037.28	19,464.25
	d	Insurance Business							434.56	628.25	502.76	1,062.81	997.05	1,832.28
	e	Other Banking operations							633.51	478.37	476.31	1,111.88	867.12	1,680.23
	f (i)	Add/ (Less): Unallocated	-955.33	-951.78	-1,149.40	-1,907.11	-2,094.56	-1,925.64	-954.51	-952.46	-1,149.17	-1,906.97	-2,094.04	-1,924.34
	f (ii)	Add: Exceptional items	1,087.43	-	-	1,087.43	-	-	-	-	-	-	-	-
	f (iii)	Unallocated (after exceptional items)	132.10	-951.78	-1,149.40	-819.68	-2,094.56	-1,925.64	-954.51	-952.46	-1,149.17	-1,906.97	-2,094.04	-1,924.34
		Profit/ (Loss) from Ordinary Activities before Tax	**1,812.68**	**-7,255.13**	**861.71**	**-5,442.45**	**3,806.29**	**-15,528.24**	**1,950.34**	**-6,064.72**	**1,417.55**	**-4,114.38**	**5,783.49**	**-12,244.91**
		Less: Tax expense / (credit)	867.81	-2,379.28	-719.84	-1,511.47	219.21	-8,980.79	1,198.76	-2,008.49	-534.75	-809.73	725.84	-8,057.50
		Less: Extraordinary Profit/ (Loss)	-	-	-	-	-	-	-	-	-	-	-	-
		Net Profit/ (Loss) before share in profit of associate and minority interest	**944.87**	**-4,875.85**	**1,581.55**	**-3,930.98**	**3,587.08**	**-6,547.45**	**751.58**	**-4,056.23**	**1,952.30**	**-3,304.65**	**5,057.65**	**-4,187.41**
		Add: Share in profit of associates							63.55	82.67	105.78	146.22	192.48	438.16
		Less: Share of minority							238.67	256.88	217.65	495.55	377.82	807.04
		Net Profit/ (Loss) [1]	**944.87**	**-4,875.85**	**1,581.55**	**-3,930.98**	**3,587.08**	**-6,547.45**	**576.46**	**-4,230.44**	**1,840.43**	**-3,653.98**	**4,872.31**	**-4,556.29**
3		Segment assets												
	a	Treasury operations	11,28,189.14	10,92,947.12	10,52,755.99	11,28,189.14	10,52,755.99	10,89,553.51	11,22,478.98	10,91,436.34	10,47,161.96	11,22,478.98	10,47,161.96	10,85,909.92
	b	Corporate/ Wholesale Banking operations	9,90,222.01	9,25,846.73	9,25,034.17	9,90,222.01	9,25,034.17	10,11,026.98	10,14,490.12	9,48,105.47	9,44,031.89	10,14,490.12	9,44,031.89	10,24,506.47
	c	Retail Banking operations	13,23,978.95	12,87,053.60	12,23,343.58	13,23,978.95	12,23,343.58	13,22,851.33	13,23,826.31	12,87,675.37	12,24,288.52	13,23,826.31	12,24,288.52	13,19,933.76
	d	Insurance Business							1,36,085.38	1,30,666.24	1,14,361.88	1,36,085.38	1,14,361.88	1,27,099.09
	e	Other Banking operations							29,996.07	28,062.91	19,792.35	29,996.07	19,792.35	27,548.89
	f	Unallocated	43,182.19	39,051.03	34,378.75	43,182.19	34,378.75	31,320.18	43,304.03	39,268.02	34,378.75	43,304.03	34,378.75	31,434.87
		Total	**34,85,572.29**	**33,44,898.48**	**32,35,512.49**	**34,85,572.29**	**32,35,512.49**	**34,54,752.00**	**36,70,180.89**	**35,25,214.35**	**33,84,015.35**	**36,70,180.89**	**33,84,015.35**	**36,16,433.00**
4		Segment liabilities												
	a	Treasury operations	8,03,835.21	7,19,498.46	8,03,239.08	8,03,835.21	8,03,239.08	8,19,731.87	7,91,772.41	7,10,399.99	7,99,304.83	7,91,772.41	7,99,304.83	8,10,044.02
	b	Corporate/ Wholesale Banking Operations	10,53,969.38	9,92,258.94	9,64,199.61	10,53,969.38	9,64,199.61	10,48,664.62	10,71,388.46	10,08,384.08	9,80,266.41	10,71,388.46	9,80,266.41	10,63,520.41
	c	Retail Banking operations	13,51,552.36	13,62,476.87	11,73,418.68	13,51,552.36	11,73,418.68	13,11,134.57	13,63,617.65	13,74,873.23	11,73,786.64	13,63,617.65	11,73,786.64	13,11,488.36
	d	Insurance Business							1,27,298.54	1,22,241.06	1,06,775.76	1,27,298.54	1,06,775.76	1,19,097.01
	e	Other Banking operations							22,443.43	21,408.96	13,840.43	22,443.43	13,840.43	21,136.24
	f	Unallocated	58,213.64	55,575.21	63,363.65	58,213.64	63,363.65	56,092.38	64,098.02	61,101.25	68,071.56	64,098.02	68,071.56	60,825.01
	g	Capital and Reserves & surplus	2,18,001.70	2,15,089.00	2,31,291.47	2,18,001.70	2,31,291.47	2,19,128.56	2,29,562.38	2,26,805.78	2,41,969.72	2,29,562.38	2,41,969.72	2,30,321.95
		Total	**34,85,572.29**	**33,44,898.48**	**32,35,512.49**	**34,85,572.29**	**32,35,512.49**	**34,54,752.00**	**36,70,180.89**	**35,25,214.35**	**33,84,015.35**	**36,70,180.89**	**33,84,015.35**	**36,16,433.00**

[1] Segment Net Results are arrived after taking the effects of Transfer Pricing.

STATE BANK OF INDIA

CORPORATE CENTRE, MUMBAI - 400 021

SUMMARISED STATEMENT OF ASSETS & LIABILITIES

(Rs. in crore)

S. No.		Particulars	Standalone				Consolidated			
			30.09.2018 (Unaudited)	30.06.2018 (Unaudited)	30.09.2017 (Unaudited)	31.03.2018 (Audited)	30.09.2018 (Unaudited)	30.06.2018 (Unaudited)	30.09.2017 (Unaudited)	31.03.2018 (Audited)
1		Capital and Liabilities								
	a	Capital	892.46	892.46	863.21	892.46	892.46	892.46	863.21	892.46
	b	Reserves & surplus	2,17,109.24	2,14,196.54	2,30,428.26	2,18,236.10	2,28,669.92	2,25,913.32	2,41,106.51	2,29,429.49
	c	Minority interest					5,270.03	4,841.86	4,526.03	4,615.24
	d	Deposits	28,07,420.11	27,47,813.22	26,23,179.55	27,06,343.29	28,39,115.31	27,77,893.19	26,40,032.49	27,22,178.28
	e	Borrowings	3,34,695.92	2,62,492.02	2,47,766.07	3,62,142.07	3,39,814.94	2,71,144.63	2,54,905.86	3,69,079.34
	f	Other liabilities and provisions	1,25,454.56	1,19,504.24	1,33,275.40	1,67,138.08	2,56,418.23	2,44,528.89	2,42,581.25	2,90,238.19
		Total Capital and Liabilities	**34,85,572.29**	**33,44,898.48**	**32,35,512.49**	**34,54,752.00**	**36,70,180.89**	**35,25,214.35**	**33,84,015.35**	**36,16,433.00**
2		Assets								
	a	Cash and balances with Reserve Bank of India	1,29,963.41	1,28,531.17	1,29,409.65	1,50,397.18	1,30,221.46	1,28,770.41	1,29,639.00	1,50,769.46
	b	Balances with banks and money at call and short notice	43,163.39	41,627.53	48,502.35	41,501.46	45,265.29	44,494.35	50,715.61	44,519.65
	c	Investments	10,82,611.86	10,63,474.27	10,22,909.07	10,60,986.72	12,18,855.44	11,94,317.13	11,28,438.95	11,83,794.24
	d	Advances	19,57,339.61	18,75,773.45	18,02,608.94	19,34,880.19	19,94,970.64	19,12,595.76	18,34,761.44	19,60,118.54
	e	Fixed assets	39,509.45	40,086.54	50,432.06	39,992.25	40,985.19	41,394.26	51,506.78	41,225.79
	f	Other assets	2,32,984.57	1,95,405.52	1,81,650.42	2,26,994.20	2,39,882.87	2,03,642.44	1,88,953.57	2,36,005.32
		Total Assets	**34,85,572.29**	**33,44,898.48**	**32,35,512.49**	**34,54,752.00**	**36,70,180.89**	**35,25,214.35**	**33,84,015.35**	**36,16,433.00**

The above results have been approved by the Central Board of the Bank at the meeting held on November 5, 2018. and were subjected to "Limited Review" by the Bank's Statutory Central Auditors.

(Anshula Kant)
MD (Stressed Assets, Risk & Compliance)

(Arijit Basu)
MD (Commercial Clients Group & IT)

(Dinesh Kumar Khara)
MD (Global Banking & Subsidiaries)

(P K Gupta)
MD (Retail & Digital Banking)

(Rajnish Kumar)
CHAIRMAN

Place: Mumbai
Date: November 5, 2018

Notes:

1 The financial results have been drawn from financial statements prepared in accordance with Accounting Standards (AS-25) on 'Interim Financial Reporting'.

2 The above financial results have been reviewed by the Audit Committee of the Board at their meeting held on the same day and approved by the Board of Directors at their meeting held on November 5, 2018. The results have been subjected to a limited review by the Statutory Central Auditors.

3 The financial results for the quarter/ six months ended September 30, 2018 have been arrived at after considering necessary provisions for NPAs, Standard Assets, Standard Derivative Exposures, restructured assets and Investment Depreciation/provision on the basis of prudential norms and directions and approval issued by the RBI. Provisions for Contingencies, Employee Benefits including provision for wage revision, Direct Taxes (after adjustment for Deferred Tax) and for other items / assets are made on estimates.

4 The above results for the quarter/ six months ended September 30, 2018 have been prepared, following the same accounting Policies as followed in the annual financial statements for the year ended March 31, 2018.

5 RBI Circular DBOD.No.BP.BC.1/21.06.201/2015-16 dated July 01, 2015 on 'Basel III Capital Regulations' read together with RBI Circular No. DBR.No.BP. BC.80/21.06.201/2014-15 dated March 31, 2015 on 'Prudential Guidelines on Capital Adequacy and Liquidity Standards Amendments' requires Banks to make applicable Pillar 3 Disclosures including leverage ratio and liquidity coverage ratio under the Basel III framework. These disclosures as of September 30, 2018 are placed on the Bank's Website http://www.sbi.co.in.

6 RBI vide letter DBR BP. 9730/21.04.018/2017-18 dated April 27,2018 permitted to spread the additional liability on account of the enhancement in gratuity limits to INR 20 Lakhs over four quarters beginning with the quarter ended March 31, 2018. Accordingly, the Bank had availed the relaxation permitted and had provided an amount of INR 902.50 Crores for quarter ended March 31, 2018 and June 30, 2018 being one-fourth of the total additional liability of INR 3610 Crores. Out of the remaining unamortized liability of INR 1805 Crores, an amount of INR 902.50 Crores have been recognised in profit and loss account for the quarter ended September 30, 2018 and the unamortised liability as on September 30, 2018 is INR 902.50 Crores.

7 Advances granted to various companies belonging to a group in the infrastructure sector, against certain identified cash flows and pertaining to specific assets and Investments in the group are classified as 'Standard' as at September 30, 2018 in accordance with the RBI Master Circular- Prudential norms on Income Recognition, Assets Classification and provisioning pertaining to Advances/Investments. The Bank's management is monitoring the developments to monitor if some of the assets will turn stressed and will take appropriate action in accordance with applicable RBI regulations, as more information on the potential resolution plan becomes available.

8 RBI vide Circular no. DBR.No.BP.BC.108/21.04.048/2017-18 dated June 6, 2018 permitted banks to continue the exposures to MSME borrowers to be classified as standard assets where the dues between September 1, 2017 and December 31, 2018 have not been paid not later than 180 days from their respective original due dates. Accordingly, the Bank has retained advances of INR 506.35 Crores as standard asset as on September 30, 2018. In accordance with the provisions of the circular, the Bank has not recognized interest on these accounts and is maintaining a standard asset provision of INR 25.32 Crore as on September 30, 2018 in respect of such borrowers.

9 As at September 30, 2018, the account classification of an account under NCLT - I has changed from D2 to D3 requiring 100% provision as against existing provision of 50%. The bank has maintained status quo in respect of provision held INR 5,264 Crores, in view of estimated full recovery of the book value of NPA, as per resolution plan filed in NCLT.

10 As per RBI Circular no. DBR.No.BP.15199/21.04.048/2016-17 and DBR.No.BP.1906/21.04.048/2017-18 dated June 23, 2017 and August 28, 2017 respectively, for the accounts covered under the provisions of Insolvency and Bankruptcy Code (IBC), the Bank is holding total provision of INR 36,656 Crores (68.68% of total outstanding) as on September 30, 2018.

11 The bank has made a provision of INR 1992 Crores for the half year ended September 30, 2018 (Total Rs.3651.41 Crores) towards arrears of wages due for revision w.e.f November 1, 2017.

12 Exceptional items includes:

a) Net profit of INR 473.12 Crores on sale of partial investments in our subsidiary SBI General Insurance Company Limited.

b) Net profit of INR 1,087.43 Crores on transfer of the bank's merchant acquiring business (MAB) to a wholly owned subsidiary SBI Payment Services Private Limited (SBIPSPL) pursuant to a business transfer agreement dated September 29, 2018 for a consideration of INR 1,250 Crores. Subsequent to quarter end, SBIPSPL has entered into a joint venture agreement for sale of 26% stake to the JV partner. Necessary regulatory approvals have been sought for. The bank does not foresee any uncertainties for obtaining approvals and realisation of consideration.

13 Provision Coverage Ratio as on September 30, 2018 was 70.74 %

14 Number of Investors' complaints pending at the beginning of the quarter was NIL. The Bank has received 50 Investors' complaints during the quarter ended September 30, 2018. 49 Complaints have been disposed off during the quarter. There is 1 pending Investors' complaints at the end of the quarter / six months ended September 30, 2018.

15 Previous period/year figures have been regrouped / reclassified, wherever necessary, to conform to current period classifications.

Anshula Kant
Managing Director
(SARC)

Arijit Basu
Managing Director
(CCG & IT)

Dinesh Kumar Khara
Managing Director
(GB & S)

P K Gupta
Managing Director
(R & D B)

Rajnish Kumar
Chairman

For Varma & Varma
Chartered Accountants
P R Prasanna Varma
Partner : M.No.025854
Firm Regn. No. 004532 S

For Manubhai & Shah LLP
Chartered Accountants
Hitesh M. Pomal
Partner: M.No.106137
FirmRegn.No.106041W/W100136

For M Bhaskara Rao & Co.
Chartered Accountants
M V Ramana Murthy
Partner : M.No.206439
Firm Regn. No.000459 S

For GSA & Associates
Chartered Accountants
Sunil Aggarwal
Partner : M No.083899
Firm Regn. No. 000257 N

For Chatterjee & Co.
Chartered Accountants
Bedanta Bhattacharya
Partner : M No.060855
Firm Regn. No.302114 E

For Bansal & Co LLP
Chartered Accountants
DR D.S. Rawat
Partner : M.No.083030
FirmRegn.No.001113N/N500079

For Amit Ray & Co.
Chartered Accountants

Basudeb Banerjee
Partner : M No.070468
Firm Regn. No. 000483 C

For S L Chhajed & Co.
Chartered Accountants

Abhay Chhajed
Partner : M No.079662
Firm Regn. No.000709 C

For Mittal Gupta & Co.
Chartered Accountants

Akshay Kumar Gupta
Partner: M.No. 070744
Firm Regn. No. 001874 C

For Rao & Kumar.
Chartered Accountants

Anirban Pal
Partner : M.No.214919
Firm Regn. No. 003089 S

For Brahmayya & Co
Chartered Accountants

K. Jitendra Kumar
Partner : M No.201825
Firm Regn. No.000511 S

For Ray & Ray
Chartered Accountants

Abhijit Neogi
Partner : M No. 61380
Firm Regn. No. 301072 E

For Chaturvedi & Shah
Chartered Accountants

Vitesh D. Gandhi
Partner : M No. 110248
Firm Regn. No. 101720 W

For S K Mittal & Co
Chartered Accountants

M. K. Juneja
Partner : M No. 013317
Firm Regn. No. 001135 N

Place : Mumbai
Date : November 5, 2018

INDEPENDENT AUDITOR'S REPORT

To,
The Board of Directors,
State Bank of India,
Corporate Centre,
State Bank Bhavan, Mumbai

Report on the Consolidated Financial Statements

1. We have audited the accompanying Consolidated Financial Statements of State Bank of India (the "Bank") and its Subsidiaries, Joint Ventures and Associates (the "Group") [The entities of the Group whose Financial Statements are included in the Consolidated Financial Statements are listed in Schedule 18 - Notes to Accounts- which forms part of the Consolidated Financial Statements of the Group] which comprise the Consolidated Balance Sheet as at March 31, 2018, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

2. The Management of State Bank of India is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the requirements of the Accounting Standard 21 — "Consolidated Financial Statements", Accounting Standard 23 — "Accounting for Investment in Associatesin Consolidated Financial Statements" and Accounting Standard 27 — "Financial Reporting of Interest in Joint Ventures" issued by the Institute of Chartered Accountants of India, the requirements of Reserve Bank of India, the State Bank of India Act, 1955 and other accounting principles generally accepted in India. This responsibility of the management of State Bank of India includes the design, implementation and maintenance of internal controls and risk management systems relevant to the preparation and presentation of the consolidated financial statements of the SBI Group that give a true and fair view and are free from material misstatement, whether due to fraud or error. We are informed that the management of the individual entities of the group have implemented such internal controls and risk management systems that are relevant to the preparation of the financial statements and the designed procedures that are appropriate in the circumstances so that the internal controls with regard to all the activities of the SBI Group are effective. These statements have been prepared on the basis of separate financial statements and other financial information regarding components,

Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation of consolidated financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the

Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the management of the entities of the Group, as well as evaluating the overall presentation of the consolidated financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, and based on our consideration of the reports of other auditors on separate financial statements of Subsidiaries, Joint Ventures and Associates, the unaudited financial statements and the other financial information of a subsidiary and certain associates as furnished by the Management, the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2018;

   (b) in the case of the Consolidated Profit and Loss Account, of the consolidated loss of the Group for the year ended on that date; and

   (c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

Other Matters

7. Incorporated in these consolidated financial statements are the:

   (a) Audited accounts of the Bank audited by 14 (fourteen) Joint Auditors including us which reflect total assets of INR 3,454,752 crores as at March 31, 2018, total revenue of INR 265,100 crores, and net cash inflows amounting to INR 19,927 crore for the year then ended;

   (b) Audited accounts of 26 (twenty six) Subsidiaries, 8 (eight) Joint Ventures and 19 (nineteen) Associates audited by other auditors whose financial statements reflects the Group's share in total assets of INR 176,687 crore as at March 31, 2018, the Group's share in total revenue of INR 44,143 crore, the Group's share in net cash inflows amounting to INR 2,774 crore, and the Group's share in profit from associates of INR 435 crore for the year then ended;

   (c) Accounts of 1(one) Subsidiary which has been reviewed by another auditor whose financial statements reflects the Group's share in total assets of INR 312 crore as at March 31, 2018, the Group's share in total revenue of INR 15 crore, the Group's share in net cash outflows amounting to INR 0.32 crore, for the year then ended;

   (d) Unaudited accounts of 1 (one) Subsidiary and 1 (one) Associates whose financial statements reflect total assets of INR 5,308 crore as at March 31, 2018, total revenue of INR 188 crore, net cash outflows amounting to INR 125 crore and the Group's share in profit from associates of INR 3 crore for the year then ended.

   These financial statements and other financial information have been furnished to us by the management. Our opinion, in so far as it relates to the affairs of such subsidiaries, joint ventures and associates, is based solely on the report of the other auditors and unaudited financial statements referred to above.

8. The auditors of SBI Life Insurance Company Ltd., a subsidiary of the Group have reported that the actuarial valuation of liabilities for life policies in force is the responsibility of the Company's Appointed Actuary (the "Appointed Actuary"). The actuarial valuation of these liabilities for life policies in force and for policies in respect of which the premium has been discontinued but liability exists as at 31 March 2018 has been duly certified by the Appointed Actuary and in his opinion, the assumptions for such valuation are in accordance with the guidelines and norms issued by the Insurance Regulatory and Development Authority of India ("IRDAI/"Authority"") and the Institute of Actuaries of India in concurrence with the Authority. We have relied upon the Appointed Actuary's certificate in this regard for forming our opinion on the valuation of liabilities for life policies in force and for policies in respect of which premium has been discontinued but liability exists on standalone financial statements of the Company.

Emphasis of Matter

9. We draw attention to:

   a) Note no 3.2.1.1, regarding unamortized balance of INR 2,707.50 crore on account of additional liabilities towards Gratuity; and

   b) Note no 3.7, regarding recognition of Deferred Tax Assets of INR 2,461.40 crore on provision for standard assets;

Our opinion is not modified in respect of the above stated matters.

For **Varma & Varma**
Chartered Accountants
FRN 004532S

P R Prasanna Varma
Partner
M. No.025854

Place: Mumbai
Date: 22nd May, 2018

STATE BANK OF INDIA
CONSOLIDATED BALANCE SHEET AS ON 31ST MARCH, 2018

	Schedule No.	As on 31.03.2018 (Current Year)	As on 31.03.2017 (Previous Year)
			(000s omitted)
		₹	₹
CAPITAL AND LIABILITIES			
Capital	1	8,924,588	7,973,504
Reserves & Surplus	2	2,294,294,868	2,163,947,986
Minority Interest		46,152,451	64,806,458
Deposits	3	27,221,782,821	25,998,106,619
Borrowings	4	3,690,793,388	3,363,656,648
Other Liabilities and Provisions	5	2,902,381,913	2,852,724,387
TOTAL		**36,164,330,029**	**34,451,215,602**
ASSETS			
Cash and Balances with Reserve Bank of India	6	1,507,694,569	1,610,186,107
Balances with Banks and Money at Call & Short Notice	7	445,196,514	1,121,785,446
Investments	8	11,837,942,419	10,272,808,690
Advances	9	19,601,185,351	18,968,868,201
Fixed Assets	10	412,257,926	509,407,377
Other Assets	11	2,360,053,250	1,968,159,781
TOTAL		**36,164,330,029**	**34,451,215,602**
Contingent Liabilities	12	11,663,348,021	11,849,078,179
Bills for Collection		740,602,200	777,270,590
Significant Accounting Policies	17		
Notes to Accounts	18		

Schedules referred to above form an integral part of the Balance Sheet

Shri Dinesh Kumar Khara	**Shri P. K. Gupta**	**Shri B. Sriram**
MD (Risk, IT & Subsidiaries)	MD (Retail & Digital Banking)	MD (Corporate & Global Banking)

In term of our Report of even date.
For **Varma and Varma**
Chartered Accountants

Shri Rajnish Kumar
Chairman

Shri P R Prasanna Varma
Partner
Mem. No.: 025854
Firm Regn. No.: 004532 S

Mumbai
Dated 22nd May, 2018

STATE BANK OF INDIA
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2018

(000s omitted)

		Schedule No.	Year ended 31.03.2018 (Current Year)	Year ended 31.03.2017 (Previous Year)
			₹	₹
I.	**INCOME**			
	Interest earned	13	2,289,702,766	2,304,470,996
	Other Income	14	775,572,441	681,931,659
	TOTAL		**3,065,275,207**	**2,986,402,655**
II.	**EXPENDITURE**			
	Interest expended	15	1,466,029,820	1,491,146,740
	Operating expenses	16	961,543,727	872,898,819
	Provisions and contingencies		679,575,798	626,263,825
	TOTAL		**3,107,149,345**	**2,990,309,384**
III.	**PROFIT/(LOSS)**			
	Net Profit/(Loss) for the year (before adjustment for Share in Profit of Associates and Minority Interest)		(41,874,138)	(3,906,729)
	Add: Share in Profit of Associates		4,381,598	2,932,842
	Less: Minority Interest		8,070,360	(3,386,212)
	Net Profit/(Loss) for the Group		(45,562,900)	2,412,325
	Profit Brought forward		(43,400,396)	32,798,329
	TOTAL		**(88,963,296)**	**35,210,654**
IV.	**APPROPRIATIONS**			
	Transfer to Statutory Reserves		599,463	32,543,578
	Transfer to Other Reserves		9,212,143	21,102,156
	Dividend for the previous year paid during the year (including Tax on Dividend)		—	—
	Final Dividend for the year		—	21,085,629
	Tax on Dividend		637,092	3,879,687
	Balance carried over to Balance Sheet		(99,411,994)	(43,400,396)
	TOTAL		**(88,963,296)**	**35,210,654**
	Basic Earnings per Share		₹ (5.34)	₹ 0.31
	Diluted Earnings per Share		₹ (5.34)	₹ 0.31
	Significant Accounting Policies	17		
	Notes to Accounts	18		

Schedules referred to above form an integral part of the Profit & Loss Account

Shri Dinesh Kumar Khara
MD (Risk, IT & Subsidiaries)

Shri P. K. Gupta
MD (Retail & Digital Banking)

Shri B. Sriram
MD (Corporate & Global Banking)

In term of our Report of even date.
For **Varma and Varma**
Chartered Accountants

Shri Rajnish Kumar
Chairman

Shri P R Prasanna Varma
Partner
Mem. No.: 025854
Firm Regn. No.: 004532 S

Mumbai
Dated 22nd May, 2018

STATE BANK OF INDIA
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST MARCH, 2018

(000s omitted)

PARTICULARS		Year ended 31.03.2018	Year ended 31.03.2017
		₹	₹
Cash flow from operating activities			
Net Profit/(Loss) before taxes (including share in profit from associates and net of minority interest)		(126,137,921)	15,767,382
Adjustments for:			
Depreciation on Fixed Assets		31,050,710	29,146,843
(Profit)/Loss on sale of Fixed Assets (Net)		307,327	438,146
(Profit)/Loss on revaluation of Investments (Net)		11,206,102	—
(Profit)/Loss on sale of Investments (Net) (Investing Activity)		(51,343,014)	(15,870,192)
Provision for diminution in fair value & Non Performing Assets		715,259,880	559,167,512
Provision on Standard Assets		(35,845,616)	21,916,266
Provision for depreciation on Investments		81,773,033	17,219,584
Other Provisions including provision for contingencies		(1,036,478)	14,605,404
Share in Profit of Associates		(4,381,598)	(2,932,842)
Dividend from Associates		(154,597)	(38,550)
Interest on Capital Instruments		45,544,306	52,960,256
SUB TOTAL		**666,242,134**	**692,379,809**
Adjustments for:			
Increase/(Decrease) in Deposits		1,213,918,457	3,459,530,975
Increase/(Decrease) in Borrowings other than Capital Instruments		448,321,490	(227,437,732)
(Increase)/Decrease in Investments other than Investment in Subsidiary and Associates		(1,647,703,441)	(2,213,338,662)
(Increase)/Decrease in Advances		(1,341,902,163)	(825,426,786)
Increase/(Decrease) in Other Liabilities & Provisions		(1,119,171)	107,893,461
(Increase)/Decrease in Other Assets		(222,732,200)	(205,761,756)
SUB TOTAL		**(884,974,894)**	**787,839,309**
Tax refund/(Taxes paid)		(80,104,170)	(13,779,339)
Net cash generated from/(used in) operating activities	**(A)**	**(965,079,064)**	**774,059,970**
Cash flow from investing activities			
(Increase)/Decrease in Investments in Subsidiary and Associates		52,391,369	15,859,252
Dividend from Associates		154,597	38,550
(Increase)/Decrease in Fixed Assets		66,018,254	(44,237,061)
(Increase)/Decrease in Goodwill on Consolidation		(7,906,551)	18,036
Net Cash generated from/(used in) investing activities	**(B)**	**110,657,669**	**(28,321,223)**

PARTICULARS		Year ended 31.03.2018	Year ended 31.03.2017
		(000s omitted)	
		₹	₹
Cash flow from financing activities			
Proceeds from issue of equity share capital including share premium		237,824,547	56,748,291
Increase/(Decrease) in Capital Instruments		(121,184,750)	(22,899,525)
Interest on Capital Instruments		(45,544,306)	(52,960,256)
Dividend paid including tax thereon		(24,162,671)	(23,374,638)
Dividend tax paid by Subsidiaries/JVs		(1,435,857)	(1,611,037)
Increase/(Decrease) in Minority Interest		9,974,674	2,132,414
Net Cash generated from/(used in) financing activities	**(C)**	**55,471,637**	**(41,964,751)**
Effect of exchange fluctuation on translation reserve	**(D)**	**13,051,753**	**(17,397,098)**
Cash and Cash equivalents received on account of acquisition of Bharatiya Mahila Bank	**(E)**	**6,817,535**	**—**
Net increase/(decrease) in cash and cash equivalents	**(A)+(B)+(C)+(D)+(E)**	**(779,080,470)**	**686,376,898**
Cash and Cash equivalents at the beginning of the year		**2,731,971,553**	**2,045,594,655**
Cash and Cash equivalents at the end of the year		**1,952,891,083**	**2,731,971,553**

Components of Cash & Cash Equivalents as at:	**31.03.2018**	**31.03.2017**
Cash & Balances with Reserve Bank of India	1,507,694,569	1,610,186,107
Balances with Banks and Money at Call & Short Notice	445,196,514	1,121,785,446
Total	**1,952,891,083**	**2,731,971,553**

Shri Dinesh Kumar Khara
MD (Risk, IT & Subsidiaries)

Shri P. K. Gupta
MD (Retail & Digital Banking)

Shri B. Sriram
MD (Corporate & Global Banking)

In term of our Report of even date.
For **Varma and Varma**
Chartered Accountants

Shri Rajnish Kumar
Chairman

Shri P R Prasanna Varma
Partner
Mem. No.: 025854
Firm Regn. No.: 004532 S

Mumbai
Dated 22nd May, 2018

SCHEDULE

Schedule 1 - Capital

	As on 31.03.2018 (Current Year)	As on 31.03.2017 (Previous Year)
	(000s omitted) ₹	₹
Authorised Capital:		
50,000,000,000 equity shares of ₹ 1/- each (Previous Year 50,000,000,000 equity shares of ₹ 1/- each)	50,000,000	50,000,000
Issued Capital:		
8,925,405,164 equity shares of ₹ 1/- each (Previous Year 7,974,325,472 equity shares of ₹ 1/- each)	8,925,405	7,974,325
Subscribed and Paid up Capital:		
8,924,587,534 equity shares of ₹ 1/- each (Previous Year 7,973,504,442 equity shares of ₹ 1/- each) [The above includes 126,248,980 equity shares of ₹ 1/- each (Previous Year 127,016,300 equity shares of ₹ 1/- each) represented by 12,624,898 (Previous Year 12,701,630) Global Depository Receipts]	8,924,588	7,973,504
TOTAL	**8,924,588**	**7,973,504**

Schedule 2 - Reserves & Surplus

(000s omitted)

		As on 31.03.2018 (Current Year)		As on 31.03.2017 (Previous Year)	
		₹		₹	
I.	**Statutory Reserves**				
	Opening Balance	647,535,212		614,991,634	
	Additions during the year	12,045,201		32,543,578	
	Deductions during the year	—	659,580,413	—	647,535,212
II.	**Capital Reserves#**				
	Opening Balance	52,460,999		33,541,948	
	Additions during the year	43,322,838		18,922,633	
	Deductions during the year	3,061	95,780,776	3,582	52,460,999
III.	**Share Premium**				
	Opening Balance	554,232,336		497,694,771	
	Additions during the year	237,185,811		56,599,272	
	Deductions during the year	175,996	791,242,151	61,707	554,232,336
IV.	**Foreign Currency Translation Reserves**				
	Opening Balance	50,739,201		68,136,299	
	Additions during the year	14,988,030		220,980	
	Deductions during the year	1,936,277	63,790,954	17,618,078	50,739,201
V.	**Revaluation Reserve**				
	Opening Balance	355,938,813		13,740,337	
	Additions during the year	6,624,083		345,587,773	
	Deductions during the year	114,083,031	248,479,865	3,389,297	355,938,813

	As on 31.03.2018 (Current Year)		As on 31.03.2017 (Previous Year)	
		₹		₹
VI. Revenue and Other Reserves				
Opening Balance	546,441,821		537,257,567	
Additions during the year ##	32,645,939		9,608,892	
Deductions during the year	44,255,057	534,832,703	424,638	546,441,821
VII. Balance in Profit and Loss Account		(99,411,994)		(43,400,396)
TOTAL		**2,294,294,868**		**2,163,947,986**

(000s omitted)

includes Capital Reserve on consolidation ₹ 12,366,46 thousand (Previous Year ₹ 24,283,39 thousand)

net of consolidation adjustments

Schedule 3 - Deposits

(000s omitted)

			As on 31.03.2018 (Current Year)	As on 31.03.2017 (Previous Year)
			₹	₹
A.	**I.**	**Demand Deposits**		
		(i) From Banks	52,408,461	69,918,091
		(ii) From Others	1,857,954,220	1,818,908,978
	II.	**Savings Bank Deposits**	10,191,374,248	9,473,617,112
	III.	**Term Deposits**		
		(i) From Banks	150,272,878	198,489,766
		(ii) From Others	14,969,773,014	14,437,172,672
TOTAL			**27,221,782,821**	**25,998,106,619**
B	(i)	Deposits of Branches in India	25,962,323,379	24,913,696,212
	(ii)	Deposits of Branches outside India	1,259,459,442	1,084,410,407
TOTAL			**27,221,782,821**	**25,998,106,619**

Schedule 4 - Borrowings

(000s omitted)

	As on 31.03.2018 (Current Year)		As on 31.03.2017 (Previous Year)	
		₹		₹
I. Borrowings in India				
(i) Reserve Bank of India		953,940,900		50,000,000
(ii) Other Banks		48,222,161		43,761,742
(iii) Other Institutions and Agencies		43,702,349		719,126,274
(iv) Capital Instruments:				
a. Innovative Perpetual Debt Instruments (IPDI)	118,350,000		115,050,000	
b. Subordinated Debt & Bonds	336,656,640	455,006,640	420,707,640	535,757,640
TOTAL		**1,500,872,050**		**1,348,645,656**

(000s omitted)

	As on 31.03.2018 (Current Year)		As on 31.03.2017 (Previous Year)	
		₹		₹
II. Borrowings outside India				
(i) Borrowings and Refinance outside India		2,169,743,838		1,954,399,742
(ii) Capital Instruments:				
a. Innovative Perpetual Debt Instruments (IPDI)	19,552,500		59,986,250	
b. Subordinated Debt & Bonds	625,000	20,177,500	625,000	60,611,250
TOTAL		**2,189,921,338**		**2,015,010,992**
GRAND TOTAL (I & II)		**3,690,793,388**		**3,363,656,648**
Secured Borrowings included in I & II above		**1,083,848,297**		**794,268,927**

Schedule 5 - Other Liabilities & Provisions

(000s omitted)

	As on 31.03.2018 (Current Year)	As on 31.03.2017 (Previous Year)
	₹	₹
I. Bills payable	266,670,753	310,166,309
II. Inter Bank Adjustments (net)	—	1,001,715
III. Inter Office adjustments (net)	407,345,750	363,423,483
IV. Interest accrued	159,960,147	156,643,219
V. Deferred Tax Liabilities (net)	53,882	33,620,495
VI. Liabilities relating to Policyholders in Insurance Business	1,151,286,883	967,974,957
VII. Provision for Standard Assets	127,171,897	160,467,372
VIII. Others (including provisions)	789,892,601	859,426,837
TOTAL	**2,902,381,913**	**2,852,724,387**

Schedule 6 - Cash and Balances with Reserve Bank of India

(000s omitted)

	As on 31.03.2018 (Current Year)	As on 31.03.2017 (Previous Year)
	₹	₹
I. Cash in hand (including foreign currency notes and gold)	157,960,276	149,422,580
II. Balances with Reserve Bank of India		
(i) In Current Account	1,349,734,293	1,460,763,527
(ii) In Other Accounts	—	—
TOTAL	**1,507,694,569**	**1,610,186,107**

Schedule 7 - Balances With Banks and Money at Call & Short Notice

	As on 31.03.2018 (Current Year) ₹	(000s omitted) As on 31.03.2017 (Previous Year) ₹
I. In India		
(i) Balances with banks		
(a) In Current Accounts	3,808,500	3,650,331
(b) In Other Deposit Accounts	22,753,897	437,073,740
(ii) Money at call and short notice		
(a) With banks	16,139,426	300,015,304
(b) With other institutions	—	194,550
TOTAL	**42,701,823**	**740,933,925**
II. Outside India		
(i) In Current Accounts	294,450,867	249,583,027
(ii) In Other Deposit Accounts	15,503,884	47,200,393
(iii) Money at call and short notice	92,539,940	84,068,101
TOTAL	**402,494,691**	**380,851,521**
GRAND TOTAL (I and II)	**445,196,514**	**1,121,785,446**

Schedule 8 - Investments

	As on 31.03.2018 (Current Year) ₹	(000s omitted) As on 31.03.2017 (Previous Year) ₹
I. Investments in India in:		
(i) Government Securities	8,983,698,937	7,782,103,755
(ii) Other approved securities	92,036,294	74,234,357
(iii) Shares	369,024,197	301,560,839
(iv) Debentures and Bonds	1,082,200,831	849,540,186
(v) Subsidiary and Associates	30,613,004	27,311,594
(vi) Others (Units of Mutual Funds, Commercial Papers etc.)	806,828,464	813,821,101
TOTAL	**11,364,401,727**	**9,848,571,832**
II. Investments outside India in:		
(i) Government Securities (including local authorities)	133,188,979	109,269,252
(ii) Associates	1,137,452	1,105,619
(iii) Other Investments (Shares, Debentures etc.)	339,214,261	313,861,987
TOTAL	**473,540,692**	**424,236,858**
GRAND TOTAL (I and II)	**11,837,942,419**	**10,272,808,690**
III. Investments in India:		
(i) Gross Value of Investments	11,481,901,789	9,878,354,802
(ii) Less: Aggregate of Provisions/Depreciation	117,500,062	29,782,970
(iii) Net Investments (vide I above)	**11,364,401,727**	**9,848,571,832**
IV. Investments outside India:		
(i) Gross Value of Investments	479,002,034	425,244,577
(ii) Less: Aggregate of Provisions/Depreciation	5,461,342	1,007,719
(iii) Net Investments (vide II above)	**473,540,692**	**424,236,858**
GRAND TOTAL (III and IV)	**11,837,942,419**	**10,272,808,690**

Schedule 9 - Advances

			As on 31.03.2018 (Current Year)	As on 31.03.2017 (Previous Year)
			(000s omitted)	
			₹	₹
A.	I.	Bills purchased and discounted	687,673,605	793,906,001
	II.	Cash credits, overdrafts and loans repayable on demand	7,585,504,115	7,532,286,148
	III.	Term loans	11,328,007,631	10,642,676,052
TOTAL			**19,601,185,351**	**18,968,868,201**
B.	I.	Secured by tangible assets (includes advances against Book Debts)	15,158,599,323	14,958,993,242
	II.	Covered by Bank/Government Guarantees	688,125,075	824,095,015
	III.	Unsecured	3,754,460,953	3,185,779,944
TOTAL			**19,601,185,351**	**18,968,868,201**
C.	I.	Advances in India		
		(i) Priority Sector	4,483,589,560	4,710,768,362
		(ii) Public Sector	1,619,392,446	1,318,848,737
		(iii) Banks	32,800,787	26,417,442
		(iv) Others	10,318,964,162	9,930,051,278
TOTAL			**16,454,746,955**	**15,986,085,819**
II.	Advances outside India			
	(i)	Due from banks	771,096,356	878,926,943
	(ii)	Due from others		
		(a) Bills purchased and discounted	146,680,147	117,192,254
		(b) Syndicated loans	1,245,117,500	1,050,522,985
		(c) Others	983,544,393	936,140,200
TOTAL			**3,146,438,396**	**2,982,782,382**
GRAND TOTAL [C (I) and C (II)]			**19,601,185,351**	**18,968,868,201**

Schedule 10 - Fixed Assets

		As on 31.03.2018 (Current Year)		As on 31.03.2017 (Previous Year)	
					(000s omitted)
		₹		₹	
I.	**Premises**				
	At cost as on 31st March of the preceding year	421,075,659		65,051,356	
	Additions:				
	− during the year	1,190,688		10,483,609	
	− for Revaluation	—		345,587,773	
	Deductions during the year	112,934,010		47,079	
	Depreciation to date				
	− on cost	6,668,616		7,312,894	
	− on Revaluation	3,086,678	299,577,043	3,848,711	409,914,054

(000s omitted)

	As on 31.03.2018 (Current Year)		As on 31.03.2017 (Previous Year)	
	₹		₹	
II. Other Fixed Assets (including furniture and fixtures)				
At cost as on 31st March of the preceding year.............	285,128,772		257,468,421	
Additions during the year......	41,651,752		33,395,538	
Deductions during the year....	10,283,084		5,735,187	
Depreciation to date	213,601,916	102,895,524	192,696,313	92,432,459
III. Leased Assets				
At cost as on 31st March of the preceding year.............	1,173,881		1,225,166	
Additions during the year......	68,552		93,935	
Deductions during the year....	42,213		145,220	
Depreciation to date (including provision)..........	665,550		1,015,140	
	534,670		158,741	
Less: Lease Adjustment Account	—	534,670	47,045	111,696
IV. Assets under Construction (Including Premises)		**9,250,689**		**6,949,168**
TOTAL		**412,257,926**		**509,407,377**

Schedule 11 - Other Assets

(000s omitted)

	As on 31.03.2018 (Current Year)	As on 31.03.2017 (Previous Year)
	₹	₹
I. Inter Office adjustments (net)	—	47,711,877
II. Inter Bank Adjustments (net).........................	267,013	—
III. Interest accrued....................................	280,024,066	256,110,579
IV. Tax paid in advance/tax deducted at source.............	177,288,988	122,951,988
V. Stationery and Stamps.............................	1,254,734	1,330,128
VI. Non-banking assets acquired in satisfaction of claims.....	304,148	341,997
VII. Deferred tax assets (net)............................	118,377,033	49,233,787
VIII. Deposits placed with NABARD/SIDBI/NHB etc. for meeting shortfall in priority sector lending	956,431,691	677,097,152
IX. Others #...	826,105,577	813,382,273
TOTAL..	**2,360,053,250**	**1,968,159,781**

Includes Goodwill on consolidation ₹ 173,407,01 thousand (Previous Year ₹ 94,341,50 thousand)

Schedule 12 - Contingent Liabilities

(000s omitted)

		As on 31.03.2018 (Current Year) ₹	As on 31.03.2017 (Previous Year) ₹
I.	Claims against the group not acknowledged as debts	355,460,353	331,453,629
II.	Liability for partly paid investments/Venture Funds	6,194,430	6,033,511
III.	Liability on account of outstanding forward exchange contracts	6,448,080,415	6,566,253,339
IV.	Guarantees given on behalf of constituents		
	(a) In India	1,492,825,036	1,604,341,071
	(b) Outside India	677,624,006	750,985,400
V.	Acceptances, endorsements and other obligations	1,219,009,522	1,179,163,853
VI.	Other items for which the group is contingently liable	1,464,154,259	1,410,847,376
TOTAL		**11,663,348,021**	**11,849,078,179**
Bills for collection		**740,602,200**	**777,270,590**

Schedule 13 - Interest Earned

(000s omitted)

		Year Ended 31.03.2018 (Current Year) ₹	Year Ended 31.03.2017 (Previous Year) ₹
I.	Interest/discount on advances/bills	1,449,585,917	1,567,904,800
II.	Income on Investments	750,366,162	642,009,824
III.	Interest on balances with Reserve Bank of India and other inter-bank funds	24,107,518	25,915,708
IV.	Others	65,643,169	68,640,664
TOTAL		**2,289,702,766**	**2,304,470,996**

Schedule 14 - Other Income

(000s omitted)

		Year Ended 31.03.2018 (Current Year) ₹	Year Ended 31.03.2017 (Previous Year) ₹
I.	Commission, exchange and brokerage	228,298,538	197,010,346
II.	Profit/(Loss) on sale of investments (Net)	141,700,863	137,784,277
III.	Profit/(Loss) on revaluation of investments (Net)	(11,206,102)	—
IV.	Profit/(Loss) on sale of land, building and other assets including leased assets (net)	(307,327)	(438,146)
V.	Profit/(Loss) on exchange transactions (Net)	25,224,561	27,921,863
VI.	Dividends from Associates in India/abroad	154,597	38,550
VII.	Income from Finance Lease	—	—
VIII.	Credit Card membership/service fees	21,264,867	14,158,943
IX.	Insurance Premium Income (net)	269,258,769	222,438,301
X.	Recoveries made in Write-off Accounts	55,224,646	40,908,993
XI.	Miscellaneous Income	45,959,029	42,108,532
TOTAL		**775,572,441**	**681,931,659**

Schedule 15 - Interest Expended

	Year Ended 31.03.2018 (Current Year)	Year Ended 31.03.2017 (Previous Year)
	(000s omitted)	
	₹	₹
I. Interest on Deposits	1,361,091,567	1,387,867,815
II. Interest on Reserve Bank of India/Inter-bank borrowings	56,868,992	46,177,707
III. Others	48,069,261	57,101,218
TOTAL	**1,466,029,820**	**1,491,146,740**

Schedule 16 - Operating Expenses

	Year Ended 31.03.2018 (Current Year)	Year Ended 31.03.2017 (Previous Year)
	(000s omitted)	
	₹	₹
I. Payments to and provisions for employees	354,106,216	356,912,050
II. Rent, taxes and lighting	53,925,819	52,709,067
III. Printing & Stationery	6,034,487	5,443,058
IV. Advertisement and publicity	19,975,623	6,002,887
V. (a) Depreciation on Fixed Assets (other than Leased Assets)	30,943,940	29,110,348
(b) Depreciation on Leased Assets	106,770	36,495
VI. Directors' fees, allowances and expenses	65,354	95,263
VII. Auditors' fees and expenses (including branch auditors' fees and expenses)	2,963,824	3,118,232
VIII. Law charges	5,019,013	4,148,673
IX. Postages, Telegrams, Telephones, etc.	10,314,933	9,754,405
X. Repairs and maintenance	9,718,971	8,709,563
XI. Insurance	27,745,909	24,792,616
XII. Other Operating Expenses relating to Credit Card Operations	11,550,328	16,556,391
XIII. Other Operating Expenses relating to Insurance Business	293,770,259	242,286,927
XIV. Other Expenditure	135,302,281	113,222,844
TOTAL	**961,543,727**	**872,898,819**

Schedule 17- Significant Accounting Policies:

A. Basis of Preparation:

The accompanying financial statements have been prepared under the historical cost convention, on the accrual basis of accounting on going concern basis, unless otherwise stated and conform in all material aspects to Generally Accepted Accounting Principles (GAAP) in India, which comprise applicable statutory provisions, regulatory norms/guidelines prescribed by the Reserve Bank of India (RBI), Banking Regulation Act, 1949, Insurance Regulatory and Development Authority of India (IRDAI), Pension Fund Regulatory and Development Authority (PFRDA), SEBI (Mutual Funds) Regulations, 1996, Companies Act 2013, Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI), and the prevalent accounting practices in India. In case of foreign entities, Generally Accepted Accounting Principles as applicable to the foreign entities are followed.

B. Use of Estimates:

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as on the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

C. Basis of Consolidation:

1. Consolidated financial statements of the Group (comprising of 28 subsidiaries, 8 Joint Ventures and 20 Associates) have been prepared on the basis of:

    a. Audited financial statements of State Bank of India (Parent).

    b. Line by line aggregation of each item of asset/liability/income/expense of the subsidiaries with the respective item of the Parent, and after eliminating all material intra- group balances/transactions, unrealised profit/loss, and making necessary adjustments wherever required for non- uniform accounting policies as per AS 21 "Consolidated Financial Statements" issued by the ICAI.

    c. Consolidation of Joint Ventures —'Proportionate Consolidation' as per AS 27 "Financial Reporting of Interests in Joint Ventures" issued by the ICAI.

    d. Accounting for investment in 'Associates' under the 'Equity Method' as per AS 23 "Accounting for Investments in Associates in Consolidated Financial Statements" issued by the ICAI.

    e. In terms of RBI circular on "Strategic Debt Restructuring Scheme", the controlling interest acquired in entities as part of Strategic Debt Restructuring Scheme is neither considered for consolidation nor such investment is treated as investments in subsidiary/associate as the control is protective in nature and not participative.

2. The difference between cost to the group of its investment in the subsidiary entities and the group's portion of the equity of the subsidiaries is recognised in the financial statements as goodwill/capital reserve.

3. Minority interest in the net assets of the consolidated subsidiaries consists of:

    a. The amount of equity attributable to the minority at the date on which investment in a subsidiary is made, and

b. The minority share of movements in revenue reserves/loss (equity) since the date the parent-subsidiary relationship came into existence.

D. Significant Accounting Policies

1. Revenue recognition:

1.1 Income and expenditure are accounted on accrual basis, except otherwise stated. As regards, foreign offices/entities, income and expenditure are recognised as per the local laws of the country in which the respective foreign offices/entities are located.

1.2 Interest/Discount income is recognised in the Profit and Loss Account as it accrues except (i) income from Non- Performing Assets (NPAs), comprising of advances, leases and investments, which is recognised upon realisation, as per the prudential norms prescribed by the RBI/respective country regulators in the case of foreign offices/entities (hereafter collectively referred to as Regulatory Authorities), (ii) overdue interest on investments and bills discounted, (iii) Income on Rupee Derivatives designated as "Trading", which are accounted on realisation.

1.3 Profit or Loss on sale of investments is recognised in the Profit and Loss Account. However, the profit on sale of investments in the 'Held to Maturity' category is appropriated (net of applicable taxes and amount required to be transferred to statutory reserve) to 'Capital Reserve Account'.

1.4 Income from finance leases is calculated by applying the interest rate implicit in the lease to the net investment outstanding in the lease, over the primary lease period. Leases effective from April 1, 2001 are accounted as advances at an amount equal to the net investment in the lease as per Accounting Standard 19 —"Leases", issued by ICAI. The lease rentals are apportioned between principal and finance income based on a pattern reflecting a constant periodic return on the net investment outstanding in respect of finance leases. The principal amount is utilized for reduction in balance of net investment in lease and finance income is reported as interest income.

1.5 Income (other than interest) on investments in "Held to Maturity" (HTM) category acquired at a discount to the face value, is recognised as follows:

i. On Interest bearing securities, it is recognised only at the time of sale/redemption.

ii. On zero-coupon securities, it is accounted for over the balance tenor of the security on a constant yield basis.

1.6 Dividend income is recognised when the right to receive the dividend is established.

1.7 Commission on LC/BG, Deferred Payment Guarantee, Government Business, ATM interchange fee & 'Upfront fee on restructured account' are recognised on accrual basis proportionately for the period. All other commission and fee income are recognised on their realisation.

1.8 One time Insurance Premium paid under Special Home Loan Scheme (December 2008 to June 2009) is amortised over average loan period of 15 years.

1.9 Brokerage, Commission etc. paid/incurred in connection with issue of Bonds/Deposits are amortized over the tenure of the related Bonds/Deposits and the expenses incurred in connection with the issue are charged upfront.

1.10 The sale of NPA is accounted as per guidelines prescribed by RBI:-

i. When the bank sells its financial assets to Securitisation Company (SC)/Reconstruction Company (RC), the same is removed from the books.

ii. If the sale is at a price below the net book value (NBV) (i.e., book value less provisions held), the shortfall is debited to the Profit and Loss Account in the year of sale

iii. If the sale is for a value higher than the NBV, the excess provision is written back in the year the amounts are received, as permitted by the RBI.

1.11 Non-banking entities:

Merchant Banking:

a. Issue management and advisory fees are recognised based on the stage of completion of assignments and as per the terms of the agreement with the client, net of pass-through.

b. Fees for private placement are recognised on completion of assignment.

c. Brokerage income in relation to stock broking activity is recognized on the trade date of transaction and includes stamp duty, transaction charges and is net of scheme incentives paid.

d. Commission relating to public issues is accounted for on finalisation of allotment of the public issue/receipt of information from intermediary.

e. Brokerage income relating to public issues/mutual fund/other securities is accounted for based on mobilisation and intimation received from clients/intermediaries.

f. Depository income — Annual Maintenance Charges are recognised on accrual basis and transaction charges are recognised on trade date of transaction.

Asset Management:

a. Management fee is recognised at specific rates agreed with the relevant schemes, applied on the average daily net assets of each scheme (excluding inter-scheme investments, wherever applicable, investments made by the company in the respective scheme and deposits with Banks), and are in conformity with the limits specified under SEBI (Mutual Funds) Regulations, 1996.

b. Portfolio Advisory Services, Portfolio Management Services and Management Fees on Alternative Investment Fund (AIF) are recognised on accrual basis as per the terms of the contract.

c. Recovery, if any, on realisation of devolved investments of schemes acquired by the company, in terms of the right of subrogation, is accounted on the basis of receipts. Recovery from funded guarantee schemes is recognised as income in the year of receipt.

d. Expenses of schemes in excess of the stipulated rates and expenses relating to new fund offer are charged to the Profit and Loss Account in the year in which they are incurred in accordance with the requirements of SEBI (Mutual Funds) Regulations, 1996.

Brokerage and/or incentive paid on investments in open- ended Equity Linked Tax Saving Schemes and Systematic Investment Plans (SIPs) are amortised over a period of 36 months and in case of other schemes, over the claw back period. In case of close-ended schemes, brokerage is amortised over the tenure of schemes.

Credit Card Operations:

a. First annual fee and subsequent renewal fee are recognised over a period of one year as this more closely reflects the period to which the fee relates to.

b. Interchange income is recognised on accrual basis.

c. The total unidentified receipts which could not be credited or adjusted in the customers' accounts for lack of complete & correct information is considered as liability in balance sheet. The estimated unidentified receipts aged more than 6 months and up to 3 years towards the written off customers is written back as income on balance sheet date. Further, the unresolved unidentified receipts aged more than 3 years are also written back as income on balance sheet date. The liability for stale cheques aged for more than three years is written back as income.

d. All other service income/fees are recorded at the time of occurrence of the respective events.

Factoring:

Factoring charges are accrued on factoring of debts at the applicable rates as decided by the company. Processing fees are recognised as income only when there is reasonable certainty of its receipt after execution of documents. Facility Continuation fees (FCF) are calculated and charged in the month of May for the entire next financial year on all live standard accounts. 1st of May is deemed as date for accrual of the FCF.

Life Insurance:

a. Premium of non-linked business is recognised as income (net of service tax/goods and service tax) when due from policyholders. In respect of linked business, premium income is recognised when the associated units are allotted. In case of Variable Insurance Products (VIPs), premium income is recognised on the date when the Policy Account Value is credited. Uncollected premium from lapsed policies is not recognised as income until such policies are revived.

b. Top-up premiums are considered as single premium.

c. Income from linked funds which includes fund management charges, policy administration charges, mortality charges, etc. are recovered from linked fund in accordance with terms and conditions of policy and recognised when recovered.

d. Realised gains and losses in respect of equity securities and units of mutual funds are calculated as the difference between the net sales proceeds and their cost. In respect of debt securities, the realised gains and losses are calculated as difference between net sale proceeds or redemption proceeds and weighted average amortised cost. Cost in respect of equity shares and units of mutual fund are computed using the weighted average method.

e. Fees received on lending of equity shares under Securities lending and borrowing scheme (SLB) is recognised as income over the period of the lending on straight-line basis.

f. Premium ceded on reinsurance is accounted in accordance with the terms of the re-insurance treaty or in- principle arrangement with the re-insurer.

g. Benefits paid:

- Claims cost consist of the policy benefit amounts and claims settlement costs, where applicable.

- Claims by death and rider are accounted when intimated. Intimations up to the end of the period are considered for accounting of such claims.

- Claims by maturity are accounted on the policy maturity date.

- Survival and Annuity benefits claims are accounted when due.

- Surrenders and withdrawals are accounted as and when intimated. Benefits paid also includes amount payable on lapsed policies which are accounted for as and when due. Surrenders, withdrawals and lapsation are disclosed at net of charges recoverable.

- Repudiated claims disputed before judicial authorities are provided for based on management prudence considering the facts and evidences available in respect of such claims.

- Amounts recoverable from re-insurers are accounted for in the same period as the related claims and are reduced from claims.

h. Acquisition costs such as commission, medical fees, etc. are costs that are primarily related to the acquisition of new and renewal insurance contracts. The same are expensed in the period in which they are incurred.

i. **Liability for life policies:** The actuarial liability of all the life insurance policies has been calculated by the Appointed Actuary in accordance with the Insurance Act 1938, and as per the rules and regulations and circulars issued by IRDAI and the relevant Guidance Notes and/or Actuarial Practice Standards (APS) issued by the Institute of Actuaries of India.

   Non-linked business is reserved using a prospective gross premium valuation method. Mathematical reserves are calculated based on future assumptions having regard to current and future experience. The unit liability in respect of linked business has been considered as the value of the units standing to the credit of the policy holders, using the Net Asset Value (NAV) as on the valuation date. Variable insurance policies (VIPs) have also been valued in a manner similar to the ULIP business by considering liability as the policy account standing to the credit of the policy holders plus additional provisions for adequacy of charges to meet expenses.

General Insurance:

a. Premium including reinsurance accepted (net of goods & service tax) is recorded in the books at the commencement of risk. In case the premium is recovered in instalments, amount to the extent of instalment due is recorded on the due date of the instalment. Premium (net of goods & service tax), including reinstatement premium, on direct business and reinsurance accepted, is recognized as income over the contract period or the period of risk, whichever is appropriate, on a gross basis under 1/365 method. Any subsequent revision to premium is recognized over the remaining period of risk or contract period. Adjustments to premium income arising on cancellation of policies are recognised in the period in which they are cancelled.

b. Commission received on reinsurance ceded is recognised as income in the period in which reinsurance risk is ceded. Profit commission under re-insurance treaties, wherever applicable, is recognized as income in the year of final determination of the profits as intimated by Reinsurer and combined with commission on reinsurance ceded.

c. In respect of proportional reinsurance ceded, the cost of reinsurance ceded is accrued at the commencement of risk. Non-proportional reinsurance cost is recognized whendue. Non-proportionalreinsurancecostisaccounted as per the terms of the reinsurance arrangements. Any subsequent revision to, refunds or cancellations of premiums is recognized in the period in which they occur.

d. Reinsurance inward acceptances are accounted for on the basis of returns, to the extent received, from the insurers.

e. Acquisition costs are expensed in the period in which they are incurred. Acquisition costs are defined as costs that vary with, and are primarily related to the acquisition of new and renewal insurance contracts viz. commission, policy issue expenses etc. The primary test for determination as acquisition cost is the obligatory relationship between the costs and the execution of the insurance contracts (i.e. commencement of risk).

f. Claim is recognised as and when a loss occurrence is reported. Claim is recognised by creation of provision for the amount of claim payable as estimated by the management based on available information and past experience, on receipt of claim notification. Such provision is reviewed/modified as appropriate on the basis of additional information as and when available. Amounts received/receivable from the re-insurers/co-insurers, under the terms of the reinsurance and coinsurance arrangements respectively, is recognised together with the recognition of claim. Provision for claims outstanding payable as on the date of Balance Sheet is net of reinsurance, salvage value and other recoveries as estimated by the management.

g. Provision in respect of claim liabilities that may have been incurred before the end of the accounting year but are

   — not yet reported or claimed (IBNR) or

   — not enough reported i.e. reported with information insufficient for making a reasonable estimate of likely claim amount (IBNER),

   The provision is made according to the amount determined by the Appointed Actuary based on actuarial principles in accordance with the Actuarial Practice Standards and Guidance Notes issued by the Institute of Actuaries of India and IRDAI regulations and guidelines.

Custody & Fund accounting services:

The revenue (net of goods & service tax) is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured.

Pension Fund Operation:

Management fee is recognized at specific rates agreed with the relevant schemes, applied on daily net assets of each scheme, and is in conformity with the regulatory guidelines issued by Pension Fund Regulatory and Development Authority (PFRDA). The Company presents revenues net of Service Tax/goods and service tax

Trustee Operations:

a. Mutual Fund Trusteeship fee is recognised at specific rates agreed with relevant schemes, applied on the average daily Net Assets of each scheme (excluding inter-scheme investment, investment in fixed deposits, investments made by the Asset Management Company and deferred revenue expenses, where applicable), and is in conformity with the limits specified under SEBI (Mutual Funds) Regulations, 1996.

b. Corporate Trusteeship Acceptance fees are recognised on the acceptance or execution of trusteeship assignment whichever is earlier. Corporate Trusteeship service charges are recognised/accrued on the basis of terms of trusteeship contracts/agreements entered into with clients.

c. Income from online "will" services is recognised when the right to receive the fee is established, as all certainty for revenue recognition is present at the time of establishment of such right.

Infrastructure and Facility Management:

Revenue from management and consultancy fees is recognised as and when the agreed scope of work is completed and the said contractual work is awarded to the vendor.

Investments:

The transactions in all securities are recorded on "Settlement Date"

1.12 Classification:

Investments are classified into three categories, viz. Held to Maturity (HTM), Available for Sale (AFS) and Held for Trading (HFT) as per RBI Guidelines.

1.13 Basis of classification:

i. Investments that the Bank intends to hold till maturity are classified as "Held to Maturity (HTM)."

ii. Investments that are held principally for resale within 90 days from the date of purchase are classified as "Held for Trading (HFT)."

iii. Investments, which are not classified in the above two categories, are classified as "Available for Sale (AFS)."

iv. An investment is classified as HTM, HFT or AFS at the time of its purchase and subsequent shifting amongst categories is done in conformity with regulatory guidelines.

1.14 Valuation:

A. Banking Business:

i. In determining the acquisition cost of an investment:

   a. Brokerage/commission received on subscriptions is reduced from the cost.

   b. Brokerage, commission, securities transaction tax, etc. paid in connection with acquisition of investments are expensed upfront and excluded from cost.

   c. Broken period interest paid/received on debt instruments is treated as interest expense/income and is excluded from cost/sale consideration.

   d. Cost of investment under AFS and HFT category is determined at the weighted average cost method by the group entities and cost of investments under HTM category is determined on FIFO basis (first in first out) by SBI and weighted average cost method by other group entities.

ii. Transfer of securities from HFT/AFS category to HTM category is carried out at the lower of acquisition cost/book value/market value on the date of transfer. The depreciation, if any, on such transfer is fully provided for. However, transfer of securities from HTM category to AFS category is carried out on acquisition price/book value. After transfer, these securities are immediately revalued and resultant depreciation, if any, is provided.

iii. Treasury Bills and Commercial Papers are valued at carrying cost.

iv. **Held to Maturity category:** Investments under Held to Maturity category are carried at acquisition cost unless it is more than the face value, in which case the premium is amortised over the period of remaining maturity on constant yield basis. Such amortisation of premium is adjusted against income under the head "interest on investments." A provision is made for diminution, other than temporary, for each investment individually. Investments in Regional Rural Banks (RRBs) are valued at equity cost determined in accordance with AS 23 of the ICAI.

v. **Availablefor Saleand Heldfor Tradingcategories:** Investments held under AFS and HFT categories are individually revalued at the market price or fair value determined as per Regulatory guidelines, and only the net depreciation of each group for each category (viz., (i) Government securities (ii) Other Approved Securities (iii) Shares (iv) Bonds and Debentures (v) Subsidiaries and Joint Ventures; and (vi) others) is provided for and net appreciation, is ignored. On provision for depreciation, the book value of the individual security remains unchanged after marking to market.

vi. In case of sale of NPA (financial asset) to Securitisation Company (SC)/Asset Reconstruction Company (ARC) against issue of Security Receipts (SR), investment in SR is recognised at lower of (i) Net Book Value (NBV) (i.e., book value less provisions held) of the financial asset and (ii) Redemption value of SR. SRs issued by an SC/ARC are valued in accordance with the guidelines applicable to non- SLR instruments. Accordingly, in cases where the SRs issued by the SC/ARC are limited to the actual realisation of the financial assets assigned to the instruments in the concerned scheme, the Net Asset Value, obtained from the SC/ARC, is reckoned for valuation of such investments.

vii. Investments are classified as performing and non- performing, based on the guidelines issued by the RBI in the case of domestic offices/entities and respective regulators in the case of foreign offices/entities. Investments of domestic offices become non-performing where:

   a. Interest/instalment (including maturity proceeds) is due and remains unpaid for more than 90 days.

   b. In the case of equity shares, in the event the investment in the shares of any company is valued at ₹ 1 per company on account of the non availability of the latest balance sheet, those equity shares would be reckoned as NPI.

   c. If any credit facility availed by an entity is NPA in the books of the bank, investment in any of the securities issued by the same entity would also be treated as NPI and vice versa.

   d. The above would apply mutatis-mutandis to Preference Shares where the fixed dividend is not paid.

   e. The investments in debentures/bonds, which are deemed to be in the nature of advance, are also subjected to NPI norms as applicable to investments.

f. In respect of foreign offices/entities, provisions for NPIs are made as per the local regulations or as per the norms of RBI, whichever is more stringent.

viii. Accounting for Repo/Reverse Repo transactions (other than transactions under the Liquidity Adjustment Facility (LAF) with the RBI)

a. The securities sold and purchased under Repo/Reverse Repo are accounted as Collateralized lending and borrowing transactions. However securities are transferred as in the case of normal outright sale/purchase transactions and such movement of securities is reflected using the Repo/Reverse Repo Accounts and Contra entries. The above entries are reversed on the date of maturity. Costs and revenues are accounted as interest expenditure/income, as the case may be. Balance in Repo A/c is classified under Schedule 4 (Borrowings) and balance in Reverse Repo A/c is classified under Schedule 7 (Balance with Banks and Money at Call & Short Notice).

b. Interest expended/earned on Securities purchased/sold under LAF with RBI is accounted for as expenditure/revenue.

Market repurchase and reverse repurchase transactions as well as the transactions with RBI under Liquidity Adjustment Facility (LAF) are accounted for as Borrowings and Lending transactions in accordance with the extant RBI guidelines.

B. Insurance Business:

In case of life and general insurance subsidiaries, investments are made in accordance with the Insurance Act, 1938, the IRDAI (Investment) Regulations, 2016 and IRDA (Presentation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002, investment policy of the company and various other circulars/notifications as issued by IRDAI from time to time.

(i) Valuation of investment pertaining to non-linked life insurance business and general insurance business: -

◆ All debt securities, including government securities and money market securities are stated at historical cost subject to amortisation of premium or accretion of discount.

◆ Listed equity shares, equity related instruments and preference shares are measured at fair value on the Balance Sheet date. For the purpose of determining fair value, the closing price at primary exchange i.e. National Stock Exchange of India Limited ('NSE') is considered. If NSE closing price is not available, the closing price of the secondary exchange i.e. BSE Limited ('BSE') is considered.

◆ Unlisted equity securities, equity related instruments and preference shares are measured at historical cost.

◆ In case of Security Lending and Borrowing (SLB), equity shares lent are valued as per valuation policy for equity shares as mentioned above.

◆ Additional Tier 1 (Basel III compliant) Perpetual Bonds classified under "Equity" as specified by IRDAI, are valued at prices obtained from CRISIL.

◆ Investments in mutual fund units are valued at the Net Asset Value (NAV) of previous day in life insurance and of balance sheet date in general insurance.

◆ Investment in Alternative Investment Funds (AIFs) are valued at latest available NAV.

Unrealized gains or losses arising due to change in the fair value of listed equity shares, mutual fund units and AIFs pertaining to shareholders' investments and non- linked policyholders investments are taken to "Revenue & Other Reserves (Schedule 2)" and "Liabilities relating to Policyholders in Insurance Business (Schedule 5)" respectively, in the Balance Sheet.

(ii) Valuation of investment pertaining to linked business: -

- Debt Securities including Government securities with remaining maturity of more than one year are valued at prices obtained from Credit Rating Information Services of India Limited ('CRISIL'). Debt securities including Government securities with remaining maturity of less than one year are valued on yield to maturity basis, where yield is derived using market price provided by CRISIL on the day when security is classified as short term. If security is purchased during its short term tenor, it is valued at amortised cost using yield to maturity method. In case of securities with options, earliest Call Option/Put Option date will be taken as maturity date for this purpose. Money market securities are valued at historical cost subject to amortization of premium or accretion of discount on yield to maturity basis.

- Listed equity shares, equity related instruments and preference shares are measured at fair value on the Balance Sheet date. For the purpose of determining fair value, the closing price at primary exchange i.e. NSE is considered. If NSE closing price is not available, closing price of the BSE is considered.

- Unlisted equity shares, equity related instruments and preference shares are measured at historical cost.

- In case of Security Lending and Borrowing (SLB), equity shares lent are valued as per valuation policy for equity shares as mentioned above.

- Additional Tier 1 (Basel III compliant) Perpetual Bonds classified under "Equity" as specified by IRDAI, are valued at prices obtained from CRISIL.

- Investments in mutual fund units are valued at the previous day's Net Asset Value (NAV).

- Unrealized gains or losses arising due to changes in the fair value are recognized in the Profit & Loss Account.

2. Loans/Advances and Provisions thereon:

2.1 Loans and Advances are classified as performing and non- performing, based on the guidelines/directives issued by the RBI. Loan Assets become Non-Performing Assets (NPAs) where:

i. In respect of term loans, interest and/or instalment of principal remains overdue for a period of more than 90 days;

ii. In respect of Overdraft or Cash Credit advances, the account remains "out of order", i.e. if the outstanding balance exceeds the sanctioned limit/drawing power continuously for a period of 90 days, or if there are no credits continuously for 90 days as on the date of balance-sheet, or if the credits are not adequate to cover the interest debited during the same period;

iii. In respect of bills purchased/discounted, the bill remains overdue for a period of more than 90 days;

iv. In respect of agricultural advances (a) for short duration crops, where the instalment of principal or interest remains overdue for two crop seasons; and (b) for long duration crops, where the principal or interest remains overdue for one crop season.

2.2 NPAs are classified into Sub-Standard, Doubtful and Loss Assets, based on the following criteria stipulated by RBI:

i. Sub-standard: A loan asset that has remained non- performing for a period less than or equal to 12 months.

ii. Doubtful: A loan asset that has remained in the sub- standard category for a period of 12 months.

iii. Loss: A loan asset where loss has been identified but the amount has not been fully written off.

2.3 Provisions are made for NPAs as per the extant guidelines prescribed by the regulatory authorities, subject to minimum provisions as prescribed below:

Substandard Assets:

i. A general provision of 15% on the total outstanding;

ii. Additional provision of 10% for exposures which are unsecured ab-initio (i.e. where realisable value of security is not more than 10 percent ab-initio);

iii. Unsecured Exposure in respect of infrastructure advances where certain safeguards such as escrow accounts are available — 20%.

Doubtful Assets:

— Secured portion:

i. Upto one year — 25%

ii. One to three years — 40%

iii. More than three years — 100%

— Unsecured portion 100%

Loss Assets: 100%

2.4 In respect of foreign offices/entities, the classification of loans and advances and provisions for NPAs are made as per the local regulations or as per the norms of RBI, whichever is more stringent.

2.5 Advancesarenetofspecificloanlossprovisions, unrealised interest, ECGC claims received and bills rediscounted.

2.6 For restructured/rescheduled assets, provisions are made in accordance with the guidelines issued by the RBI, which require that the difference between the fair value of the loan/advances before and after restructuring is provided for, in addition to provision for the respective loans/advances. The Provision for Diminution in Fair Value (DFV) and interest sacrifice, if any, arising out of the above, is reduced from advances.

2.7 In the case of loan accounts classified as NPAs, an account may be reclassified as a performing asset if it conforms to the guidelines prescribed by the regulators.

2.8 Amounts recovered against debts written off in earlier years are recognised as revenue in the year of recovery.

2.9 In addition to the specific provision on NPAs, general provisions are also made for standard assets as per extant RBI Guidelines. These provisions are reflected in Schedule 5 of the Balance Sheet under the head "Other Liabilities & Provisions — Others" and are not considered for arriving at the Net NPAs.

2.10 Appropriation of recoveries in NPAs (not out of fresh/additional credit facilities sanctioned to the borrower concerned) towards principal or interest due as per the Bank's extant instructions is done in accordance with the following priority.

a. Charges

b. Unrealized Interest/Interest

c. Principal

3. Floating Provisions:

The Bank has a policy for creation and utilisation of floating provisions separately for advances, investments and general purposes. The quantum of floating provisions to be created is assessed at the end of the financial year. The floating provisions are utilised only for contingencies under extra ordinary circumstances specified in the policy with prior permission of Reserve Bank of India.

4. Provision for Country Exposure for Banking Entities:

In addition to the specific provisions held according to the asset classification status, provisions are also made for individual country exposures (other than the home country). Countries are categorised into seven risk categories, namely, insignificant, low, moderate, high, very high, restricted and off-credit and provisioning made as per extant RBI guidelines. If the country exposure (net) of the Bank in respect of each country does not exceed 1% of the total funded assets, no provision is maintained on such country exposures. The provision is reflected in Schedule 5 of the Balance Sheet under the "Other liabilities & Provisions — Others."

5. Derivatives:

5.1 The Bank enters into derivative contracts, such as foreign currency options, interest rate swaps, currency swaps, cross currency interest rate swaps and forward rate agreements in order to hedge on-balance sheet/off- balance sheet assets and liabilities or for trading purposes. The swap contracts entered to hedge on-balance sheet assets and liabilities are structured in such a way that they bear an opposite and offsetting impact with the underlying on-balance sheet items. The impact of such derivative instruments is correlated with the movement of the underlying assets and accounted in accordance with the principles of hedge accounting.

5.2 Derivative contracts classified as hedge are recorded on accrual basis. Hedge contracts are not marked to market unless the underlying assets/liabilities are also marked to market.

5.3 Except as mentioned above, all other derivative contracts are marked to market as per the Generally Accepted Accounting Practices prevalent in the industry. In respect of derivative contracts that are marked to market, changes in the market value are recognised in the Profit and Loss Account in the period of change. Any receivable under derivatives contracts, which remain overdue for more than 90 days, are reversed through Profit and Loss Account to "Suspense Account - Crystallised Receivables." In cases where the derivative contracts provide for more settlement in future and if the derivative contract is not terminated on the overdue receivables remaining unpaid for 90 days, the positive MTM pertaining to future receivables is also reversed from Profit and Loss Account to "Suspense Account - Positive MTM."

5.4 Option premium paid or received is recorded in Profit and Loss Account at the expiry of the option. The balance in the premium received on options sold and premium paid on options bought is considered to arrive at Mark to Market value for forex Over the Counter (OTC) options.

5.5 Exchange Traded Derivatives entered into for trading purposes are valued at prevailing market rates based on rates given by the Exchange and the resultant gains and losses are recognized in the Profit and Loss Account.

6. Fixed Assets Depreciation and Amortisation:

6.1 Fixed Assets are carried at cost less accumulated depreciation/amortisation.

6.2 Cost includes cost of purchase and all expenditure such as site preparation, installation costs and professional fees incurred on the asset before it is put to use. Subsequent expenditure(s) incurred on the assets put to use are capitalised only when it increases the future benefits from such assets or their functioning capability.

6.3 The rates of depreciation and method of charging depreciation in respect of domestic operations are as under:

Sr. No.	Description of Fixed Assets	Method of charging depreciation	Depreciation/amortisation rate
1	Computers	Straight Line Method	33.33% every year
2	Computer Software forming an integral part of the Computer hardware	Straight Line Method	33.33% every year
3	Computer Software which does not form an integral part of Computer hardware and cost of Software Development	Straight Line Method	33.33% every year
4	Automated Teller Machine/ Cash Deposit Machine/Coin Dispenser / Coin Vending Machine	Straight Line Method	20.00% every year
5	Servers	Straight Line Method	25.00% every year
6	Network Equipment	Straight Line Method	20.00% every year
7	Other fixed assets	Straight Line Method	On the basis of estimated useful life of the assets
		Estimated useful life of major group of Fixed Assets are as under:	
		Premises 60 Years	
		Vehicles 5 Years	
		Safe Deposit Lockers 20 Years	
		Furniture & Fixtures 10 Years	

6.4 In respect of assets acquired during the year for domestic operations, depreciation is charged on proportionate basis for the number of days assets have been put to use during the year.

6.5 Assets costing less than ₹ 1,000 each are charged off in the year of purchase.

6.6 In respect of leasehold premises, the lease premium, if any, is amortised over the period of lease and the lease rent is charged in the respective year (s).

6.7 In respect of assets given on lease by the Bank on or before 31st March, 2001, the value of the assets given on lease is disclosed as Leased Assets under Fixed Assets, and the difference between the annual lease charge (capital recovery) and the depreciation is taken to Lease Equalisation Account.

6.8 In respect of fixed assets held at foreign offices/entities, depreciation is provided as per the regulations/norms of the respective countries.

6.9 The Bank considers only immovable assets for revaluation. Properties acquired during the last three years are not revalued. Valuation of the revalued assets is done at every three years thereafter.

6.10 The increase in Net Book Value of the asset due to revaluation is credited to the Revaluation Reserve Account without routing through the profit and loss statement.

6.11 The Revalued Assets is depreciated over the balance useful life of the asset as assessed at the time of revaluation.

7. Leases:

The asset classification and provisioning norms applicable to advances, as laid down in Para 3 above, are applied to financial leases also.

8. Impairment of Assets:

Fixed Assets are reviewed for impairment whenever events or changes in circumstances warrant that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future Net Discounted Cash Flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognised is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

9. Effect of changes in the foreign exchange rate:

9.1 Foreign Currency Transactions

i. Foreign currency transactions are recorded on initial recognition in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency on the date of transaction.

ii. Foreign currency monetary items are reported using the Foreign Exchange Dealers Association of India (FEDAI) closing (spot/forward) rates.

iii. Foreign currency non-monetary items, which are carried at historical cost, are reported using the exchange rate on the date of the transaction.

iv. Contingent liabilities denominated in foreign currency are reported using the FEDAI closing spot rates.

v. Outstanding foreign exchange spot and forward contracts held for trading are revalued at the exchange rates notified by FEDAI for specified maturities, and the resulting Profit or Loss is recognised in the Profit and Loss account.

vi. Foreign exchange forward contracts which are not intended for trading and are outstanding on the Balance Sheet date, are re-valued at the closing spot rate. The premium or discount arising at the inception of such a forward exchange contract is amortised as expense or income over the life of the contract.

vii. Exchange differences arising on the settlement of monetary items at rates different from those at which they were initially recorded are recognised as income or as expense in the period in which they arise.

viii. Gains/Losses on account of changes in exchange rates of open position in currency futures trades are settled with the exchange clearing house on daily basis and such gains/losses are recognised in the Profit and Loss Account.

9.2 Foreign Operations:

Foreign Branches/Subsidiaries/Joint Ventures of the Bank and Offshore Banking Units (OBU) have been classified as Non-integral Operations and Representative Offices have been classified as Integral Operations.

a. Non-integral Operations:

i. Both monetary and non-monetary foreign currency assets and liabilities including contingent liabilities of non-integral foreign operations are translated at closing exchange rates notified by FEDAI at the Balance Sheet date.

ii. Income and expenditure of non-integral foreign operations are translated at quarterly average closing rates notified by FEDAI.

iii. Exchange differences arising on investment in non-integral foreign operations are accumulated in Foreign Currency Translation Reserve until the disposal of the investment.

iv. The Assets and Liabilities of foreign offices/subsidiaries/joint ventures in foreign currency (other than local currency of the foreign offices/subsidiaries/joint ventures) are translated into local currency using spot rates applicable to that country on the Balance Sheet date.

b. ntegral Operations:

i. Foreign currency transactions are recorded on initial recognition in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency on the date of transaction.

ii. Monetary foreign currency assets and liabilities of integral foreign operations are translated at closing (Spot/Forward) exchange rates notified by FEDAI at the Balance Sheet date and the resulting Profit/Loss is included in the Profit and Loss Account. Contingent Liabilities are translated at Spot rate.

iii. Foreign currency non-monetary items which are carried at historical cost are reported using the exchange rate on the date of the transaction.

10. Employee Benefits:

10.1 Short Term Employee Benefits:

The undiscounted amounts of short-term employee benefits, such as medical benefits, which are expected to be paid in exchange for the services rendered by employees are recognised during the period when the employee renders the service.

10.2 Long Term Employee Benefits:

i. Defined Benefit Plan

a. SBI operates a Provident Fund scheme. All eligible employees are entitled to receive benefits under the Provident Fund scheme. SBI contributes monthly at a determined rate (currently 10% of employee's basic pay plus eligible allowance). These contributions are remitted to a Trust established for this purpose and are charged to Profit and Loss Account. SBI recognizes such annual contributions as an expense in the year to which it relates, Shortfall, if any, is provided for on the basis of actuarial valuation.

SBI Life Insurance Company Limited makes contribution towards provident fund, a defined benefit retirement plan. The provident fund is administered by the trustees of the SBI Life Insurance Company Limited Employees PF Trust. The contribution paid or payable under the schemes is charged to the Profit and Loss Account during the period in which the employee renders the related service. Further, an actuarial valuation is conducted annually by an independent actuary to recognise the deficiency, if any, in the interest payable on the contributions as compared to the interest liability as per the statutory rate.

b. The group entities operate separate Gratuity schemes, which are defined benefit plans. The group entities provide for gratuity to all eligible employees. The benefit is in the form of lump sum payments to vested employees on retirement or on death while in employment, or on termination of employment, for an amount equivalent to 15 days basic salary payable for each completed year of service, subject to the cap prescribed by the Statutory Authorities. Vesting occurs upon completion of five years of service. SBI makes periodic contributions to a fund administered by Trustees based on an independent external actuarial valuation carried out annually.

c. SBI provides for pension to all eligible employees. The benefit is in the form of monthly payments as per rules to vested employees on retirement or on death while in employment, or on termination of employment. Vesting occurs at different stages as per rules. SBI makes monthly contribution to the Pension Fund at 10% of salary in terms of SBI Pension Fund Rules. The pension liability is reckoned based on an independent actuarial valuation carried out annually and SBI makes such additional contributions periodically to the Fund as may be required to secure payment of the benefits under the pension regulations.

d. The cost of providing defined benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains/losses are immediately recognised in the Profit and Loss and are not deferred.

ii. Defined Contribution Plans:

SBI operates a New Pension Scheme (NPS) for all officers/employees joining SBI on or after 1st August, 2010, which is a defined contribution plan, such new joinees not being entitled to become members of the existing SBI Pension Scheme. As per the scheme, the covered employees contribute 10% of their basic pay plus dearness allowance to the scheme together with a matching contribution from SBI. Pending completion of registration procedures of the employees concerned, these contributions are retained as deposits in SBI and earn interest at the same rate as that of the current account of Provident Fund balance. SBI recognizes such annual contributions and interest as an expense in the year to which they relate. Upon receipt of the Permanent Retirement Account Number (PRAN), the consolidated contribution amounts are transferred to the NPS Trust.

iii. Other Long Term Employee benefits:

a. All eligible employees of the Group are eligible for compensated absences, silver jubilee award, leave travel concession, retirement award and resettlement allowance. The costs of such long term employee benefits are internally funded by the group entities.

The cost of providing other long term benefits is determined using the projected unit credit method with actuarial valuations being carried out at each Balance Sheet date. Past service cost is immediately recognised in the Profit and Loss and is not deferred.

10.3 Employee benefits relating to employees employed at foreign offices/entities are valued and accounted for as per the respective local laws/regulations.

11. Taxes on income

Income tax expense is the aggregate amount of current tax, deferred tax and fringe benefit tax expense incurred by the Group. The current tax expense and deferred tax expense are determined in accordance with the provisions of the Income Tax Act, 1961 and as per Accounting Standard 22 —"Accounting for Taxes on Income" respectively after taking into account taxes paid at the foreign offices/entities, which are based on the tax laws of respective jurisdiction. Deferred Tax adjustments comprises of changes in the deferred tax assets or liabilities during the year. Deferred tax assets and liabilities are recognised by considering the impact of timing differences between taxable income and accounting income for the current year, and carry forward losses.

Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. The impact of changes in deferred tax assets and liabilities is recognised in the profit and loss account. Deferred tax assets are recognised and re-assessed at each reporting date, based upon management's judgement as to whether their realisation is considered as reasonably certain. Deferred Tax Assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future profits.

In Consolidated Financial Statement, income tax expenses are the aggregate of the amounts of tax expense appearing in the separate financial statements of the parent and its subsidiaries/joint ventures, as per their applicable laws.

12. Earnings per Share:

12.1 The Bank reports basic and diluted earnings per share in accordance with AS 20 —"Earnings per Share" issued by the ICAI. Basic Earnings per Share are computed by dividing the Net Profit after Tax for the year attributable to equity shareholders (other than minority) by the weighted average number of equity shares outstanding for the year.

12.2 Diluted Earnings per Share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted Earnings per Share are computed using the weighted average number of equity shares and dilutive potential equity shares outstanding at year end.

13. Provisions, Contingent Liabilities and Contingent Assets:

13.1 In conformity with AS 29, "Provisions, Contingent Liabilities and Contingent Assets", issued by the Institute of Chartered Accountants of India, the Group recognises provisions only when it has a present obligation as a result of a past event and would result in a probable outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made.

13.2 No provision is recognised for

i. any possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group entities; or

ii. any present obligation that arises from past events but is not recognised because

a. it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

b. a reliable estimate of the amount of obligation cannot be made.

Such obligations are recorded as Contingent Liabilities.

These are assessed at regular intervals and only that part of the obligation for which an outflow of resources embodying economic benefits is probable, is provided for, except in the extremely rare circumstances where no reliable estimate can be made.

13.3 Provision for reward points in relation to the debit card holders of SBI is being provided for on actuarial estimates.

13.4 Contingent Assets are not recognised in the financial statements.

14. Bullion Transactions:

SBI imports bullion including precious metal bars on a consignment basis for selling to its customers. The imports are typically on a back-to-back basis and are priced to the customer based on price quoted by the supplier. SBI earns a fee on such bullion transactions. The fee is classified under commission income. SBI also accepts deposits and lends gold, which is treated as deposits/advances as the case may be with the interest paid/received classified as interest expense/income. Gold Deposits, Metal Loan Advances and closing Gold Balances are valued at available Market Rate as on the date of Balance Sheet

15. Special Reserves:

Revenue and other Reserve include Special Reserve created under Section 36(i)(viii) of the Income Tax Act, 1961. The Board of Directors have passed a resolution approving creation of the reserve and confirming that it has no intention to make withdrawal from the Special Reserve.

16. Share Issue Expenses:

Share issue expenses are charged to the Share Premium Account.

Schedule 18- NOTES TO ACCOUNTS

1. List of Subsidiaries/Joint Ventures/Associates considered for preparation of consolidated financial statements:

1.1 The 28 Subsidiaries, 8 Joint Ventures and 20 Associates including 18 Regional Rural Banks (which along with State Bank of India, the parent, constitute the Group), considered in the preparation of the consolidated financial statements, are

A) Subsidiaries:

Sr.No.	Name of the Subsidiary	Country of incorporation	Group's Stake (%) Current Year	Group's Stake (%) Previous* Year
1)	SBI Capital Markets Ltd.	India	100.00	100.00
2)	SBICAP Securities Ltd.	India	100.00	100.00
3)	SBICAP Trustee Company Ltd.	India	100.00	100.00
4)	SBICAP Ventures Ltd.	India	100.00	100.00
5)	SBICAP (Singapore) Ltd.	Singapore	100.00	100.00
6)	SBICAP (UK) Ltd.	U.K.	100.00	100.00
7)	SBI DFHI Ltd.	India	72.17	71.58
8)	SBI Global Factors Ltd.	India	86.18	86.18
9)	SBI Infra Management Solutions Pvt. Ltd.	India	100.00	100.00
10)	SBI Mutual Fund Trustee Company Pvt Ltd.	India	100.00	100.00
11)	SBI Payment Services Pvt. Ltd.	India	100.00	100.00
12)	SBI Pension Funds Pvt Ltd.	India	92.60	92.60
13)	SBI Life Insurance Company Ltd.	India	62.10	70.10
14)	SBI General Insurance Company Ltd. @	India	74.00	74.00
15)	SBI Cards and Payment Services Pvt. Ltd. @	India	74.00	60.00
16)	SBI Business Process Management Services Pvt Ltd.@ (formerly known as GE Capital Business Process Management Services Pvt Ltd.)	India	74.00	40.00**
17)	SBI—SG Global Securities Services Pvt. Ltd. @	India	65.00	65.00
18)	SBI Funds Management Pvt. Ltd. @	India	63.00	63.00
19)	SBI Funds Management (International) Private Ltd. @	Mauritius	63.00	63.00
20)	Commercial Indo Bank Llc, Moscow @	Russia	60.00	60.00
21)	Bank SBI Botswana Limited	Botswana	100.00	100.00
22)	SBI Canada Bank	Canada	100.00	100.00
23)	State Bank of India (California)	USA	100.00	100.00
24)	State Bank of India Servicos Limitada	Brazil	100.00	100.00
25)	SBI (Mauritius) Ltd.	Mauritius	96.60	96.60
26)	PT Bank SBI Indonesia	Indonesia	99.00	99.00
27)	Nepal SBI Bank Ltd.	Nepal	55.00	55.00
28)	Nepal SBI Merchant Banking Limited	Nepal	55.00	55.00

@ Represents companies which are jointly controlled entities in terms of the shareholders' agreement. However, the same are consolidated as subsidiaries in accordance with AS 21 "Consolidated Financial Statements" as SBI's holding in these companies exceeds 50%.

* In Previous Year five erstwhile domestic banking subsidiaries (e-DBS) namely (i) State Bank of Bikaner & Jaipur (SBBJ), (ii) State Bank of Mysore (SBM), (iii) State Bank of Travancore (SBT), (iv) State Bank of Patiala (SBP), (v) State Bank of Hyderabad (SBH) were also consolidated. These have been merged with SBI w.e.f. April 1, 2017. Please refer Note 8.

** Please refer Note 1.1. (i) below.

B) Joint Ventures:

Sr. No.	Name of the Joint Venture	Country of incorporation	Group's Stake (%) Current Year	Previous Year
1)	C - Edge Technologies Ltd.	India	49.00	49.00
2)	SBI Macquarie Infrastructure Management Pvt. Ltd.	India	45.00	45.00
3)	SBI Macquarie Infrastructure Trustee Pvt. Ltd. . . .	India	45.00	45.00
4)	Macquarie SBI Infrastructure Management Pte. Ltd.	Singapore	45.00	45.00
5)	Macquarie SBI Infrastructure Trustee Ltd.	Bermuda	45.00	45.00
6)	Oman India Joint Investment Fund — Management Company Pvt. Ltd.	India	50.00	50.00
7)	Oman India Joint Investment Fund — Trustee Company Pvt. Ltd.	India	50.00	50.00
8)	Jio Payments Bank Ltd.	India	30.00	30.00

C) Associates:

Sr. No.	Name of the Associate	Country of incorporation	Group's Stake (%) Current Year	Previous Year
1)	Andhra Pradesh Grameena Vikas Bank	India	35.00	35.00
2)	Arunachal Pradesh Rural Bank	India	35.00	35.00
3)	Chhattisgarh Rajya Gramin Bank.	India	35.00	35.00
4)	Ellaquai Dehati Bank.	India	35.00	35.00
5)	Langpi Dehangi Rural Bank.	India	35.00	35.00
6)	Madhyanchal Gramin Bank	India	35.00	35.00
7)	Meghalaya Rural Bank	India	35.00	35.00
8)	Mizoram Rural Bank	India	35.00	35.00
9)	Nagaland Rural Bank.	India	35.00	35.00
10)	Purvanchal Bank	India	35.00	35.00
11)	Saurashtra Gramin Bank	India	35.00	35.00
12)	Utkal Grameen Bank	India	35.00	35.00
13)	Uttarakhand Gramin Bank	India	35.00	35.00
14)	Vananchal Gramin Bank	India	35.00	35.00
15)	Rajasthan Marudhara Gramin Bank	India	35.00	26.27
16)	Telangana Grameena Bank.	India	35.00	35.00
17)	Kaveri Grameena Bank	India	35.00	31.50
18)	Malwa Gramin Bank	India	35.00	35.00
19)	The Clearing Corporation of India Ltd.	India	20.05	24.42
20)	Bank of Bhutan Ltd.	Bhutan	20.00	20.00

a) On account of the acquisition as mentioned in Note 8, SBI Group's stake as per indirect method has increased in SBI DFHI Limited (a subsidiary) from 71.58% to 72.17%, in Rajasthan Marudhara Gramin Bank (an associate) from 26.27% to 35%, in Kaveri Grameena Bank (an associate) from 31.50% to 35% and The Clearing Corporation of India Limited (an associate) from 24.42% to 24.45%.

b) In the month of March 2018, SBI sold its 4.40% stake in The Clearing Corporation of India Limited (an associate), due to which the stake of SBI Group has reduced from 24.45% to 20.05%.

c) In the month of April 2017, SBI has infused NPR 109.56 crore equivalent to ₹ 68.47 crore in Nepal SBI Bank Ltd (a Foreign Banking Subsidiary).

Further in month of January 2018, Nepal SBI Bank Ltd issued 5,913,089 bonus shares having face value of NPR 100 each, to SBI. There is no change in SBI's stake in Nepal SBI Bank Ltd.

d) In the month of August 2017, State Bank of India (UK) Limited (a wholly owned foreign banking subsidiary) has been incorporated in United Kingdom. No paid up capital has been infused in the entity up to March 31, 2018 and hence the same has not been considered for consolidation. The subsidiary has commenced its operation in month of April, 2018.

e) In the month of September 2017, SBI DFHI Limited (a subsidiary) has carried out buy back of its 2,769,230 equity shares at ₹ 520 per share. The number of shares bought back from SBI and SBI Capital Markets Ltd. are in proportion of their respective stake in SBI DFHI Limited. The SBI Group's stake in SBI DFHI Limited remains unchanged.

f) In the month of September 2017, SBI has sold its 8% stake in SBI Life Insurance Company Limited (a subsidiary) by way of Public Offer, due to which its stake has reduced from 70.10%. to 62.10%.

g) In the month of November 2017, SBI has infused ₹ 3 crore in SBI Foundation (a Not-for-profit Company). As it is a Not-for-Profit Company [incorporated under section 7(2) of Companies Act, 2013], SBI Foundation is not being considered for consolidation in preparation of Consolidated Financial statements as per Accounting Standard 21.

h) In the month of December, 2017 SBI has increased its stake in SBI Cards and Payments Services Private Ltd. (a subsidiary) from 60% to 74% (purchased 109,899,999 shares of ₹ 10 per share by investing ₹ 887.26 crore).

i) On December 15, 2017 SBI has increased its stake in GE Capital Business Process Management Ltd. (a Joint Venture prior to 15.12.2017) from 40% to 74% (purchased 8,024,342 shares of ₹ 10 per share by investing ₹ 264.07 crore). Consequently, GE Capital Business Process Management Ltd has been consolidated as a subsidiary w.e.f December 15, 2017 and the name of the same has been changed to "SBI Business Process Management Services Pvt Ltd" w.e.f. March 15, 2018.

j) In the month of February 2018, Nepal SBI Bank Ltd infused NPR 8.89 crore (for 888,889 shares of face value of NPR 100 each) in Nepal SBI Merchant Banking Ltd. (a step down subsidiary).

Further in the month of March 2018, Nepal SBI Merchant Banking Ltd issued 111,111 bonus shares having face value of NPR 100 each, to Nepal SBI Bank Ltd. The SBI Group's stake in Nepal SBI Merchant Banking Ltd remains the same.

k) SBI Home Finance Ltd., an associate in which SBI is having 25.05% stake, is under liquidation and therefore, not being considered for consolidation in preparation of Consolidated Financial Statements as per Accounting Standard 21.

1.2 The consolidated financial statements for the financial year 2017-18 of the Group include reviewed financial statements of one subsidiary (Bank SBI Botswana Limited) and unaudited financial statements of one subsidiary (SBI Canada Bank) & one associate (Bank of Bhutan Ltd.), the results of which are not material.

2. Share capital:

a) During the year, on acquisition of domestic banking subsidiaries and BMBL, SBI has issued equity shares to the eligible shareholders of erstwhile State Bank of Bikaner and Jaipur (SBBJ), State Bank of Mysore (SBM), State Bank of Travancore (SBT) and Bharatiya Mahila Bank Ltd (BMBL) as per the swap ratio decided by Government of India. Accordingly, SBI has issued 136,352,740 equity shares of face value of ₹ 1 each as consideration (4,8,854,308 shares to shareholders of SBBJ, 1,0,558,379 shares to the shareholders of SBM, 3,2,708,543 shares to the shareholdersof SBTand 4,4,231,510 shares to Government of India as shareholder of BMBL) on 01.04.2017.

b) SBI received application money of ₹15,000.00 crore including share premium of ₹ 14,947.78 crore by way of Qualified Institutional Placement (QIP) against issue of 522,193,211 equity shares of ₹ 1 each. The equity shares were allotted on 12.06.2017.

c) SBI received application money of ₹ 0.05 crore including share premium of ₹ 0.05 crore by way of the issue of 3,400 equity shares of ₹ 1 each kept in abeyance. The equity shares kept in abeyance were allotted on 01.11.2017.

d) SBI received application money of ₹ 8,800.00 crore (Previous Year ₹ 5,681.00 crore) including share premium amount of ₹ 8,770.75 crore (Previous Year ₹ 5,659.93 crore) from Government of India against Preferential Issue of 292,533,741 equity shares (Previous Year 210,727,400) of ₹ 1 each to Government of India. The equity shares were allotted on 27.03.2018. These shares were credited to demat account (CDSL) of Government of India on 03.04.2018 and listed at NSE on 02.04.2018 and BSE on 03.04.2018.

e) Expenses in relation to the issue of shares: ₹ 17.60 crore (Previous Year ₹ 6.17 crore) is debited to Share Premium Account.

3. Disclosures as per Accounting Standards

3.1 Accounting Standard—5 "Net Profit or Loss for the period, Prior Period items and Changes in Accounting Policies"

SBI changed its accounting policy with respect to booking of commission earned on issuance of Letter of Credit and Bank Guarantees, other than on deferred payment guarantees w.e.f. April 1, 2017. Now these are being recognized over the period of LC/BG, instead of on realization basis done earlier.

The impact of the change in policy, as compared to previous practice has resulted in lower income under this head to the extent of ₹ 1,203.60 crore for year ended March 31, 2018.

3.2 Accounting Standard- 15 "Employee Benefits":

3.2.1 Defined Benefit Plans

3.2.1.1 Employee's Pension Plans and Gratuity Plans

The following table sets out the status of the Defined Benefit Pension Plans and Gratuity Plan as required under AS 15 (Revised 2005):-

₹ in crore

	Pension Plans		Gratuity Plans	
Particulars	**Current Year**	**Previous Year**	**Current Year**	**Previous Year**
Change in the present value of the defined benefit obligation				
Opening defined benefit obligation at 1st April, 2017	83,870.13	73,164.38	9,929.61	9,898.33
Adjustment for SBI Business Process Management Pvt Ltd.*	—	—	8.70	—
Current Service Cost	978.19	1,285.52	302.75	287.33
Interest Cost	6,248.32	5,834.23	722.05	766.59
Past Service Cost (Vested Benefit)	—	1,200.00	3,614.64	0.01
Liability transferred In/Acquisitions	—	—	1.20	—
Actuarial losses/(gains)	3,338.70	8,106.01	(9.83)	263.87
Benefits paid	(4,190.43)	(3,360.17)	(1,543.31)	(1,286.52)
Direct Payment by SBI	(2,458.35)	(2,359.84)	—	—
Closing defined benefit obligation at 31st March, 2018	**87,786.56**	**83,870.13**	**13,025.81**	**9,929.61**
Change in Plan Assets				
Opening fair value of plan assets at 1st April, 2017	79,303.20	66,813.97	9,863.77	9,249.72
Adjustment for SBI Business Process Management Pvt Ltd. *	—	—	6.21	—
Expected Return on Plan assets	5,908.09	5,522.97	717.37	755.56
Contributions by employer	4,363.81	7,817.68	243.49	876.22
Assets transferred In/Acquisitions	—	—	2.01	—
Expected Contribution by the employees	—	3.09	—	—
Benefits Paid	(4,190.43)	(3,360.17)	(1,543.32)	(1,286.52)
Actuarial Gains/(Losses) on plan assets	(135.07)	2,505.66	(26.37)	268.79
Closing fair value of plan assets at 31st March, 2018	**85,249.60**	**79,303.20**	**9,263.16**	**9,863.77**

	Pension Plans		Gratuity Plans	
Particulars	**Current Year**	**Previous Year**	**Current Year**	**Previous Year**
Reconciliation of present value of the obligation and fair value of the plan assets				
Present Value of funded obligation at 31st March, 2018	87,786.56	83,870.13	13,025.81	9,929.61
Fair Value of plan assets at 31st March, 2018	85,249.60	79,303.20	9,263.16	9,863.77
Deficit/(Surplus)	2,536.96	4,566.93	3,762.65	65.84
Unrecognised Past Service Cost (Vested) Closing Balance	—	—	(2,707.50)	—
Unrecognised Transitional Liability Closing Balance	—	—	—	—

Particulars	Pension Plans		Gratuity Plans	
	Current Year	Previous Year	Current Year	Previous Year
Net Liability/(Asset)	**2,536.96**	**4,566.93**	**1,055.15**	**65.84**
Amount Recognised in the Balance Sheet				
Liabilities	87,786.56	83,870.13	13,025.81	9,929.61
Assets	85,249.60	79,303.20	9,263.16	9,863.77
Net Liability/(Asset) recognised in Balance Sheet	2,536.96	4,566.93	3,762.64	65.84
Unrecognised Past Service Cost (Vested) Closing Balance	—	—	(2,707.50)	—
Unrecognised Transitional Liability Closing Balance	—	—	—	—
Net Liability/(Asset)	**2,536.96**	**4,566.93**	**1,055.15**	**65.84**
Net Cost recognised in the profit and loss account				
Current Service Cost	978.19	1,285.52	302.75	287.33
Interest Cost	6,248.32	5,834.23	722.05	766.59
Expected return on plan assets	(5,908.09)	(5,522.97)	(717.37)	(755.56)
Expected Contributions by the employees	—	(3.09)	—	—
Past Service Cost (Amortised) Recognised	—	—	0.05	—
Past Service Cost (Vested Benefits) Recognised	—	1,200.00	907.09	0.01
Net Actuarial Losses/(Gains) recognised during the year	3,473.77	5,600.35	16.54	(4.92)
Total costs of defined benefit plans included in Schedule 16 "Payments to and provisions for employees"	**4,792.19**	**8,394.04**	**1231.11**	**293.45**
Reconciliation of expected return and actual return on Plan Assets				
Expected Return on Plan Assets	5,908.09	5,522.97	717.37	755.56
Actuarial Gains/(Losses) on Plan Assets	(135.07)	2,505.66	(26.37)	268.79
Actual Return on Plan Assets	5773.02	8,028.63	691.00	1,024.35
Reconciliation of opening and closing net liability/(asset) recognised in Balance Sheet				
Opening Net Liability/(Asset) as at 1st April, 2017	**4,566.93**	**6,350.41**	**65.84**	**648.61**
Adjustment for SBI Business Process Management Pvt Ltd.*	—	—	2.50	—
Expenses as recognised in profit and loss account	4,792.19	8,394.04	1231.11	293.45
Paid by SBI Directly	(2,458.35)	(2,359.84)	—	—
Debited to Other Provision	—	—	—	—
Recognised in Reserve	—	—	—	—
Net Liability/(Asset) transferred in	—	—	(0.81)	—
Employer's Contribution	(4,363.81)	(7,817.68)	(243.49)	(876.22)
Net liability/(Asset) recognised in Balance Sheet	**2,536.96**	**4,566.93**	**1,055.15**	**65.84**

* Adjustment is due to change in method of consolidation in case of SBI Business Process Management Services Pvt Ltd (formerly GE Capital Business Process Management Services Pvt Ltd) from Proportionate line-by-line consolidation to Total line-by-line consolidation.

Investments under Plan Assets of Gratuity Fund & Pension Fund as on March 31, 2018 are as follows:

Category of Assets	Pension Fund % of Plan Assets	Gratuity Fund % of Plan Assets
Central Govt. Securities	24.57%	21.11%
State Govt. Securities	30.32%	24.36%
Debt Securities, Money Market Securities and Bank Deposits	30.55%	14.71%
Mutual Funds	2.49%	2.25%
Insurer Managed Funds	2.19%	30.22%
Others	9.88%	7.35%
Total	**100.00%**	**100.00%**

Principal actuarial assumptions:

	Pension Plans		Gratuity Plans	
Particulars	**Current Year**	**Previous Year**	**Current Year**	**Previous Year**
Discount Rate	7.76%	7.45% to 7.51%	7.78%	7.27% to 7.27%
Expected Rate of return on Plan Asset	7.76%	7.00% to 8.00%	7.78%	7.00% to 8.00%
Salary Escalation	5.00%	5.00%	5.00%	5.00%
Attrition Rate	2.00%	2.00%	2.00%	2.00%

The estimates of future salary growth, factored in actuarial valuation, taking account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market. Such estimates are very long term and are not based on limited past experience/immediate future. Empirical evidence also suggests that in the very long term, consistent high salary growth rates are not possible. The said estimates and assumptions have been relied upon by the auditors.

Consequent upon amendment in Payment of Gratuity Act 1972 and revision in gratuity ceiling from ₹ 10.00 lakh to ₹ 20.00 lakh, the additional liability of SBI works out to ₹ 3,610 crore. RBI has vide letter No. DBR.BP.9730/21.04.018/2017-18 dated April 27,2018 advised that banks, may at their discretion, spread the expenditure involved over four quarters beginning from the quarter ended March 31, 2018. They have also advised that the enhanced gratuity related unamortized expenditure would not be reduced from Tier I capital.

Accordingly, out of the total additional liability of ₹ 3,610 crore, an amount of ₹ 902.50 crore has been charged to the Profit & Loss Account for the year ended March 31, 2018 by SBI and the remaining unamortized liability of ₹ 2,707.50 crore shall be provided over next three quarters i.e. from June 2018 quarter to December 2018 quarter.

3.2.1.2 Employees Provident Fund

Actuarial valuation carried out in respect of interest shortfall in Provident Fund Trust shows “Nil” liability, hence no provision is made in F.Y. 2017-18.

The following table sets out the status of Provident Fund as per the actuarial valuation by the independent Actuaries:-

₹ in crore

Particulars	Provident Fund Current Year	Provident Fund Previous Year
Change in the present value of the defined benefit obligation		
Opening defined benefit obligation at 1st April, 2017	26,221.36	25,409.49
Current Service Cost	961.65	827.29
Interest Cost	2,455.58	2,199.84
Employee Contribution (including VPF)	1,396.25	1,065.98
Liability Transferred In	3,309.05	—
Actuarial losses/(gains)	25.56	—
Benefits paid	(4,070.79)	(3,281.24)
Closing defined benefit obligation at 31st March, 2018	30,298.66	26,221.36
Change in Plan Assets		
Opening fair value of Plan Assets as at 1st April, 2017	27,221.93	26,240.79
Expected Return on Plan Assets	2,455.58	2,199.84
Contributions	2,357.90	1,893.27
Transferred from other Companies	3,723.65	—
Benefits Paid	(4,070.79)	(3,281.24)
Actuarial Gains/(Loss) on plan Assets	185.98	169.27
Closing fair value of plan assets as at 31st March, 2018	**31,874.25**	**27,221.93**
Reconciliation of present value of the obligation and fair value of the plan assets		
Present Value of Funded obligation at 31st March, 2018	30,298.66	26,221.36
Fair Value of Plan assets at 31st March, 2018	31,874.25	27,221.93
Deficit/(Surplus)	(1,575.59)	(1,000.57)
Net Asset not recognised in Balance Sheet	**1,575.59**	**1,000.57**
Net Cost recognised in the profit and loss account		
Current Service Cost	961.65	827.29
Interest Cost	2,455.58	2,199.84
Expected return on plan assets	(2,455.58)	(2,199.84)
Interest shortfall reversed	—	—
Total costs of defined benefit plans included in Schedule 16 "Payments to and provisions for employees"	**961.65**	**827.29**
Reconciliation of opening and closing net liability/(asset) recognised in Balance Sheet		
Opening Net Liability as at 1st April, 2018	—	—
Expense as above	961.65	827.29
Employer's Contribution	(961.65)	(827.29)
Net Liability/(Asset) Recognized In the Balance Sheet	—	—

Investments under Plan Assets of Provident Fund as on March 31, 2018 are as follows:

Category of Assets	Provident Fund % of Plan Assets
Central Govt. Securities	36.91%
State Govt. Securities	23.09%
Debt Securities, Money Market Securities and Bank Deposits	32.78%
Insurer Managed Funds	1.60%
Others	5.62%
Total	**100.00%**

Principal actuarial assumptions

Particulars	Provident Fund	
	Current Year	Previous Year
Discount Rate	7.78%	7.27%
Guaranteed Return	8.65%	8.80%
Attrition Rate	2.00%	2.00%
Salary Escalation	5.00%	5.00%

i) There is a guaranteed return applicable to liability under SBI Employees Provident Fund which shall not be lower of either:

(a) one half percent above the average standard rate (adjusted up or down to the interest one quarter per cent) quoted by SBI for new deposits fixed for twelve months in the preceding year (ending on the preceding the 31st day of March); or

(b) three percent per annum, subject to approval of Executive Committee.

ii) The rules of the SBI Life Insurance Company Ltd.'s Provident Fund administered by a Trust require that if the Board of Trustees are unable to pay interest at the rate declared for Employees' Provident Fund by the Government under para 60 of the Employees' Provident Fund Scheme, 1952 for the reason that the return on investment is less or for any other reason, then the deficiency shall be made good by the Company.

3.2.2 Defined Contribution Plans

3.2.2.1 Employees Provident Fund

An amount of ₹ 28.59 crore (Previous Year ₹ 22.22 crore) is contributed towards the Provident Fund Scheme by the group (excluding the entities covered in Note 3.2.1.2) and is included under the head "Payments to and provisions for employees" in Profit and Loss Account.

3.2.2.2 Defined Contribution Pension Scheme

SBI has a Defined Contribution Pension Scheme (DCPS) applicable to all categories of officers and employees joining the SBI on or after August 1, 2010. The Scheme is managed by NPS Trust under the aegis of the Pension Fund Regulatory and Development Authority. National Securities Depository Limited has been appointed as the Central Record Keeping Agency for the NPS. During the year, an amount of ₹ 390.00 crore [Previous Year (including e-DBS) ₹ 328.69 crore] has been contributed in the scheme.

3.2.3 Other Long term Employee Benefits (Unfunded Obligation)

3.2.3.1 Accumulating Compensated Absences (Privilege Leave)

The following table sets out the status of Accumulating Compensated Absences (Privilege Leave) as per Actuarial valuation by independent Actuaries:

₹ in crore

Particulars	Accumulating Compensated Absences (Privilege Leave) Current Year	Previous Year
Change in the present value of the defined benefit obligation		
Opening defined benefit obligation at 1st April, 2017	4,760.15	4,379.90
Current Service Cost	210.14	214.49
Interest Cost	432.32	344.17
Liability transferred In/Acquisitions	1,188.49	—
Actuarial losses/(gains)	593.93	398.78
Benefits paid	(936.51)	(577.19)
Closing defined benefit obligation at 31st March, 2018	**6,248.52**	**4,760.15**
Net Cost recognised in the profit and loss account		
Current Service Cost	210.14	214.49
Interest Cost	432.32	344.17
Actuarial (Gain)/Losses	593.93	398.78
Total costs of defined benefit plans included in Schedule 16 "Payments to and provisions for employees"	**1,236.39**	**957.44**
Reconciliation of opening and closing net liability/(asset) recognised in Balance Sheet		
Opening Net Liability as at 1st April, 2017	4,760.15	4,379.67
Expense as above	1,236.39	957.67
Net Liability/(Asset) transferred in	1,188.49	—
Employer's Contribution	—	—
Benefit paid directly by the Employer	(936.51)	(577.19)
Net Liability/(Asset) recognized in the Balance Sheet	**6,248.52**	**4,760.15**

Principal actuarial assumptions

Particulars	Current Year	Previous Year
Discount Rate	7.78%	7.27%
Salary Escalation	5.00%	5.00%
Attrition Rate	2.00%	2.00%

Accumulating Compensated Absences (Privilege Leave) (excluding SBI)

An amount of ₹ 36.17 crore (Previous Year ₹ 113.95 crore) is provided by the group (excluding the entities covered in above table) towards Privilege Leave (Encashment) including leave encashment at the time of retirement and is included under the head "Payments to and provisions for employees" in Profit and Loss Account.

3.2.3.2 Other Long Term Employee Benefits

Amount of ₹ (-) 38.69 crore [Previous Year ₹ (-) 20.52 crore] is provided/(written back) by the group towards other Long Term Employee Benefits and is included under the head "Payments to and provisions for employees" in Profit and Loss Account.

Details of Provisions made for various Other Long Term Employees' Benefits during the year;

₹ in crore

Sl. No.	Long Term Employees' Benefits	Current Year	Previous Year
1	Leave Travel and Home Travel Concession (Encashment/Availment)	(4.20)	19.23
2	Sick Leave	3.35	(53.14)
3	Silver Jubilee/Long Term Service Award	(12.64)	11.13
4	Resettlement Expenses on Superannuation	(13.23)	1.32
5	Casual Leave	—	—
6	Retirement Award	(11.97)	0.94
	Total	**(38.69)**	**(20.52)**

3.2.4 The employee benefits listed above are in respect of the employees of the Group based in India. The employees of the foreign operations are not covered in the above schemes.

3.3 Accounting Standard- 17 "Segment Reporting":

3.2.1 Segment identification

A) Primary (Business Segment)

The following are the Primary Segments of the Group:

— Treasury

— Corporate/Wholesale Banking

— Retail Banking

— Insurance Business

— Other Banking Business

The present accounting and information system of the Group does not support capturing and extraction of the data in respect of the above segments separately. However, based on the present internal, organisational and management reporting structure and the nature of their risk and returns, the data on the Primary Segments have been computed as under:

a) **Treasury**: The Treasury Segment includes the entire investment portfolio and trading in foreign exchange contracts and derivative contracts. The revenue of the treasury segment primarily consists of fees and gains or losses from trading operations and interest income on the investment portfolio.

b) **Corporate/Wholesale Banking**: The Corporate/Wholesale Banking segment comprises the lending activities of Corporate Accounts Group, Mid Corporate Accounts Group and Stressed Assets Resolution Group. These include providing loans and transaction services to corporate and institutional clients and further include non treasury operations of foreign offices/entities.

c) **Retail Banking:** The Retail Banking Segment comprises of branches in National Banking Group, which primarily includes Personal Banking activities including lending activities to corporate customers having banking relations with branches in the National Banking Group. This segment also includes agency business and ATMs

d) **Insurance Business** — The Insurance Business Segment comprises of the results of SBI Life Insurance Co. Ltd. and SBI General Insurance Co. Ltd.

e) **Other Banking business**— Segments not classified under (a) to (d) above are classified under this primary segment. This segment also includes the operations of all the Non- Banking Subsidiaries/Joint Ventures other than SBI Life Insurance Co. Ltd. and SBI General Insurance Co. Ltd. of the group.

B) Secondary (Geographical Segment):

a) **Domestic Operations** - Branches, Subsidiaries and Joint Ventures having operations in India.

b) **Foreign Operations** - Branches, Subsidiaries and Joint Ventures having operations outside India and offshore banking units having operations in India.

C) Pricing of Inter-segmental Transfers

The Retail Banking segment is the primary resource mobilising unit. The Corporate/Wholesale Banking and Treasury segments are recipient of funds from Retail Banking. Market related Funds Transfer Pricing (MRFTP) is followed under which a separate unit called Funding Centre has been created. The Funding Centre notionally buys funds that the business units raise in the form of deposits or borrowings and notionally sell funds to business units engaged in creating assets.

D) Allocation of Revenue, Expenses, Assets and Liabilities

Expenses of parent incurred at Corporate Centre establishments directly attributable either to Corporate/Wholesale and Retail Banking Operations or to Treasury Operations segment, are allocated accordingly. Expenses not directly attributable are allocated on the basis of the ratio of number of employees in each segment/ratio of directly attributable expenses.

Revenue, expenses, assets and liabilities which relate to the enterprise as a whole and are not allocable to any segment on a reasonable basis, have been reported as Unallocated.

3.2.2 SEGMENT INFORMATION

PART A: PRIMARY (BUSINESS) SEGMENTS:

₹ in crore

Business Segment	Treasury	Corporate/ Wholesale Banking	Retail Banking	Insurance Business	Other Banking Operations	TOTAL
Revenue (before exceptional item)	82,163.87	64,365.45	111,963.61	34,088.22	8,637.67	301,218.82
	(78,525.43)	(83,694.12)	(106,413.35)	(28,047.53)	(6,174.73)	(302,855.16)
Unallocated Revenue						2,571.02
						(2,419.27)
Less: Inter Segment Revenue						2,298.53
						(6,634.17)
Total Revenue						301,491.31
						(298,640.26)
Result (before exceptional items)	-16.83	-38,316.71	19,464.25	1,832.28	1,680.23	-15,356.78
	(14,559.33)	(-24,803.47)	(10,826.76)	(1,308.71)	(1,717.58)	(3,608.91)
Add: Exceptional items	5,036.21					5,036.21
	(—)					(—)
Result (after exceptional items)	5,019.38	-38,316.71	19,464.25	1,832.28	1,680.23	-10,320.57
	(14,559.33)	(-24,803.47)	(10,826.76)	(1,308.71)	(1,717.58)	(3,608.91)
Unallocated Income(+)/Expenses(-) net						-1,924.34
						(-2,664.08)
Profit/(Loss) Before Tax						-12,244.91
						(944.83)
Taxes						-8,057.50
						(1,335.50)
Extraordinary Profit						0.00
						(0.00)
Net Profit/(Loss) before share in profit in Associates and Minority Interest						-4,187.41
						(-390.67)
Add: Share in Profit in						438.16
Associates						(293.28)
Less: Minority Interest						807.04
						(-338.62)
Net Profit/(Loss) for the Group						-4,556.29
						(241.23)
Other Information:						
Segment Assets	1,085,909.92	1,024,506.47	1,319,933.76	127,099.09	27,548.89	3,584,998.13
	(1,007,725.87)	(1,151,526.43)	(1,133,220.08)	(106,318.18)	(18,110.16)	(3,416,900.72)
Unallocated Assets						31,434.87
						(28,220.84)
Total Assets						3,616,433.00
						(3,445,121.56)
Segment Liabilities	810,044.02	1,063,520.41	1,311,488.36	119,097.01	21,136.24	3,325,286.04
	(709,453.02)	(1,103,341.85)	(1,214,492.46)	(99,646.13)	(12,525.34)	(3,139,458.80)
Unallocated Liabilities						60,825.01
						(88,470.61)
Total Liabilities						3,386,111.05
						(3,227,929.41)

PART B: SECONDARY (GEOGRAPHIC) SEGMENTS

₹ in crore

	Domestic Operations	Foreign Operations	TOTAL
Revenue (before exceptional items)	288,659.38	12,831.93	301,491.31
	(286,662.86)	(11,977.40)	(298,640.26)
Net Profit/(Loss)	-6,162.65	1,606.36	-4,556.29
	(-2,871.79)	(3,113.02)	(241.23)
Assets	3,204,196.42	412,236.58	3,616,433.00
	(3,059,467.86)	(385,653.70)	(3,445,121.56)
Liabilities	2,978,268.42	407,842.63	3,386,111.05
	(2,846,368.69)	(381,560.72)	(3,227,929.41)

(i) Income/Expenses are for the whole year. Assets/Liabilities are as at March 31, 2018.

(ii) Figures within brackets are for previous year

3.4 Accounting Standard-18 “Related Party Disclosures”:

3.4.1 Related Parties to the Group:

A) JOINT VENTURES:

1. C - Edge Technologies Ltd.
2. GE Capital Business Process Management Services Pvt Ltd. (upto 14.12.2017)
3. SBI Macquarie Infrastructure Management Pvt. Ltd.
4. SBI Macquarie Infrastructure Trustee Pvt. Ltd.
5. Macquarie SBI Infrastructure Management Pte. Ltd.
6. Macquarie SBI Infrastructure Trustee Ltd.
7. Oman India Joint Investment Fund — Management Company Pvt. Ltd.
8. Oman India Joint Investment Fund — Trustee Company Pvt. Ltd.
9. Jio Payments Bank Limited

B) ASSOCIATES:

i) Regional Rural Banks

1. Andhra Pradesh Grameena Vikas Bank
2. Arunachal Pradesh Rural Bank
3. Chhattisgarh Rajya Gramin Bank
4. Ellaquai Dehati Bank
5. Langpi Dehangi Rural Bank

6. Madhyanchal Gramin Bank

7. Meghalaya Rural Bank

8. Mizoram Rural Bank

9. Nagaland Rural Bank

10. Purvanchal Bank

11. Saurashtra Gramin Bank

12. Utkal Grameen Bank

13. Uttarakhand Gramin Bank

14. Vananchal Gramin Bank

15. Rajasthan Marudhara Gramin Bank

16. Telangana Grameena Bank

17. Kaveri Grameena Bank

18. Malwa Gramin Bank

ii) Others

19. The Clearing Corporation of India Ltd.

20. Bank of Bhutan Ltd.

21. SBI Home Finance Ltd. (under liquidation)

C) Key Management Personnel of SBI:

1. Shri Rajnish Kumar, Chairman (from 07.10.2017)

2. Smt. Arundhati Bhattacharya, Chairman (upto 06.10.2017)

3. Shri Rajnish Kumar, Managing Director (National Banking Group) upto 06.10.2017

4. Shri Dinesh Kumar Khara, Managing Director (Risk, IT & Subsidiaries)

5. Shri P. K. Gupta, Managing Director (Retail & Digital Banking)

6. Shri B. Sriram, Managing Director (Corporate & Global Banking)

3.4.2 Related Parties with whom transactions were entered into during the year:-

No disclosure is required in respect of related parties, which are "State controlled Enterprises" as per paragraph 9 of Accounting Standard (AS) 18. Further, in terms of paragraph 5 of AS 18, transactions in the nature of Banker- Customer relationship have not been disclosed including those with Key Management Personnel and relatives of Key Management Personnel.

3.4.3 Transactions and Balances:

₹ in crore

Particulars	Associates/ Joint Ventures	Key Management Personnel & their relatives	Total
Transactions during the year 2017-18			
Interest Income	—	—	—
	(—)	(—)	(—)
Interest	0.09	—	0.09
Expenditure	(0.18)	(—)	(0.18)
Income earned by	29.24	—	29.24
way of Dividend	(33.83)	(—)	(33.83)
Other Income	0.17	—	0.17
	(0.30)	(—)	(0.30)
Other Expenditure	12.31	—	12.31
	(11.54)	(—)	(11.54)
Management	—	2.05	2.05
Contract	(—)	(1.39)	(1.39)
Outstanding as on March 31, 2018			
Payables			
Deposit	44.75	—	44.75
	(15.21)	(—)	(15.21)
Other Liabilities	1.19	—	1.19
	(47.99)	(—)	(47.99)
Receivables			
Balances with	—	—	—
Banks	(—)	(—)	(—)
Investments	67.66	—	67.66
	(81.15)	(—)	(81.15)
Advances	—	—	—
	(0.41)	—	(0.41)
Other Assets	0.07	—	0.07
	(0.07)	(—)	(0.07)
Maximum outstanding during the year			
Borrowings	—	—	—
	(—)	(—)	(—)
Deposit	206.21	—	206.21
	(29.48)	(—)	(29.48)
Other Liabilities	119.61	—	119.61
	(55.33)	(—)	(55.33)
Balance with	—	—	—
Banks	(—)	(—)	(—)
Advances	0.62	—	0.62
	(0.42)	(—)	(0.42)
Investment	77.10	—	77.10
	(81.15)	(—)	(81.15)
Other Assets	0.07	—	0.07
	(0.07)	(—)	(0.07)
Non-fund	—	—	—
commitments (LCs/BGs)	(—)	(—)	(—)

(Figures in brackets pertain to previous year)

There are no materially significant related party transactions during the year.

3.5 Accounting Standard-19 "Leases":

3.5.1 Finance Leases

Assets taken on Financial Leases on or after April 01, 2001: The details of financial leases are given below:

₹ in crore

Particulars	As at March 31, 2018	As at March 31, 2017
Total Minimum lease payments outstanding		
Less than 1 year	17.26	4.87
1 to 5 years	56.06	9.35
5 years and above	—	—
Total	73.32	14.22
Interest Cost payable		
Less than 1 year	4.77	0.97
1 to 5 years	13.19	1.36
5 years and above	—	—
Total	17.96	2.33
Present value of minimum lease payments payable		
Less than 1 year	12.49	3.90
1 to 5 years	42.87	7.99
5 years and above	—	—
Total	**55.36**	**11.89**

3.5.2 Operating Lease

Premises taken on operating lease are given below:

Operating leases primarily comprise office premises and staff residences, which are renewable at the option of the group entities.

Liability for Premises taken on Non-Cancellable operating lease are given below:

₹ in crore

Particulars	As at March 31, 2018	As at March 31, 2017
Not later than 1 year	208.15	307.04
Later than 1 year and not later than 5 years	613.63	1,189.15
Later than 5 years	252.46	310.99
Total	**1,074.24**	**1,807.18**

Amount of lease payments recognised in the Profit & Loss Account for the year is ₹ 3,289.58 crore (Previous Year ₹ 2,615.41 crore).

3.6 Accounting Standard-20 "Earnings per Share":

The Bank reports basic and diluted earnings per equity share in accordance with Accounting Standard 20 — "Earnings per Share." "Basic earnings" per share is computed by dividing consolidated net profit/(loss) after tax (other than minority) by the weighted average number of equity shares outstanding during the year.

Particulars Basic and diluted	Current Year	Previous Year
Number of Equity Shares outstanding at the beginning of the year	7,973,504,442	7,762,777,042
Number of Equity Shares issued during the year	951,083,092	210,727,400
Number of Equity Shares outstanding at the end of the year	8,924,587,534	7,973,504,442
Weighted average number of equity shares used in computing basic earnings per share	8,533,051,135	7,803,767,851
Weighted average number of shares used in computing diluted earnings per share	8,533,051,135	7,803,767,851
Net Profit/(Loss) for the Group (₹ in crore)	(4,556.29)	241.23
Basic earnings per share (₹)	(5.34)	0.31
Diluted earnings per share (₹)	(5.34)	0.31
Nominal value per share (₹)	1.00	1.00

3.7 Accounting Standard-22 "Accounting for Taxes on Income":

i) During the year, ₹ 9,804.79 crore has been credited to Profit and Loss Account (Previous Year ₹ 3,507.06 crore credited) on account of deferred tax.

ii) The breakup of deferred tax assets and liabilities into major items is given below:

₹ in crore

Particulars	As at March 31, 2018	As at March 31, 2017
Deferred Tax Assets		
Provision for long term employee Benefits	3,486.07	2,769.18
Provision for advances $	4,415.43	2,974.42
On Accumulated Losses	13,889.32	5,281.99
Provision for Other Assets/VRS/Other Liability	743.57	724.65
Amortisation of discount	7.31	61.89
Depreciation on Fixed Assets	14.91	3.89
DTAs on account of FOs of SBI	317.04	427.91
Others	200.2	393.12
Total	**23,073.90**	**12,637.05**

₹ in crore

Particulars	As at March 31, 2018	As at March 31, 2017
Deferred Tax Liabilities		
Depreciation on Fixed Assets	89.71	277.04
Interest accrued but not due on securities	6,315.01	5,045.06
Special Reserve created u/s 36(1)(viii) of Income Tax Act 1961	4,690.10	4,645.01
Foreign Currency Translation Reserve	117.30	563.28
DTLs on account of FOs of SBI	2.80	2.19
Others	26.66	543.14
Total	**11,241.58**	**11,075.72**
Net Deferred Tax Assets/(Liabilities)	**11,832.32**	**1,561.33**

$ During the year, SBI has recognized Deferred Tax Asset, on provision for standard assets as per IRAC norms, amounting to ₹ 2,461.40 crore which was hitherto not considered for Deferred Tax Asset with consequential effect on the results for the year.

3.8 Accounting Standard-28 "Impairment of assets":

In the opinion of the Management, there is no impairment to the assets during the year to which Accounting Standard 28 —"Impairment of Assets" applies.

3.9 Accounting Standard — 29 "Provisions, Contingent Liabilities and Contingent Assets"

◆ Provisions and contingencies recognised in Profit and Loss Account:

₹ in crore

Sr. No.	Break up of "Provisions and Contingencies" shown under head Expenditure in Profit and loss account	Current Year	Previous Year
a)	Provision for Taxation		
	— Current Tax	1,758.40	5,427.24
	— Deferred Tax	(9,804.79)	(3,507.06)
	— Write Back of Income Tax	(11.11)	(584.68)
b)	Provision on Non-Performing Assets	72,217.65	57,155.07
c)	Provision on Restructured Assets	(691.67)	(1,238.32)
d)	Provision on Standard Assets	(3,584.56)	2,191.63
e)	Provision for Depreciation on Investments	8,177.30	1,721.96
f)	Other Provisions	(103.65)	1,460.54
	Total	**67,957.58**	**62,626.38**

(Figures in brackets indicate credit)

◆ Floating provisions:

₹ in crore

Sr. No.	Particulars No.	Current Year	Previous Year
a)	Opening Balance	193.76	193.76
b)	Addition during the year	—	—
c)	Draw down during the year	—	—
d)	Closing balance	**193.76**	**193.76**

◆ Description of contingent liabilities (AS - 29)

Sr. No	Particulars	Brief Description
1	Claims against the Group not acknowledged as debts	The parent and its constituents are parties to various proceedings in the normal course of business. It does not expect the outcome of these proceedings to have a material adverse effect on the Group's financial conditions, results of operations or cash flows. The Group is a party to various taxation matters in respect of which appeals are pending.
2	Liability on partly paid-up investments/Venture Funds	This item represents amounts remaining unpaid towards liability for partly paid investments. This also includes undrawn commitments for Venture Capital Funds.
3	Liability on account of outstanding forward exchange contracts	The Group enters into foreign exchange contracts in its normal course of business to exchange currencies at a pre-fixed price at a future date. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. The notional amounts are recorded as contingent liabilities. With respect to the transactions entered into with its customers, SBI generally enters into off-setting transactions in the interbank market. This results in generation of a higher number of outstanding transactions, and hence a large value of gross notional principal of the portfolio, while the net market risk is lower.
4	Guarantees given on behalf of constituents, acceptances, endorsements and other obligations	As a part of its commercial banking activities, the Group issues documentary credits and guarantees on behalf of its customers. Documentary credits enhance the credit standing of the customers of the Group. Guarantees generally represent irrevocable assurances that the Bank will make payment in the event of the customer failing to fulfil its financial or performance obligations.
5	Other items for which the Group is contingently liable	The Group enters into currency options, forward rate agreements, currency swaps and interest rate swaps with inter-Bank participants on its own account and for customers. Currency swaps are commitments to exchange cash flows by way of interest/principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. The notional amounts that are recorded as Contingent Liabilities, are typically amounts used as a benchmark for the calculation of the interest component of the contracts. Further, these also include estimated amount of contracts remaining to be executed on capital account and not provided for, letter of comforts issued by SBI on behalf of Associates & Subsidiaries, SBI's Liability under Depositors Education and Awareness Fund A/c and other sundry contingent liabilities.

The contingent liabilities mentioned above are dependent upon the outcome of court/arbitration/out of court settlements, disposal of appeals, the amount being called up, terms of contractual obligations, devolvement and raising of demand by concerned parties, as the case may be.

◆ Movement of provisions against contingent liabilities:

Sr. No	Particulars	Current Year	Previous Year
			₹ in crore
a)	Opening Balance	1,026.38	719.21
b)	Additions during the year	127.43	442.30
c)	Amount utilised during the year	227.72	7.47
d)	Unused amount reversed during the year	399.80	127.66
e)	Closing balance	526.29	1,026.38

4 Inter-Bank/Company balances between group entities are being reconciled on an ongoing basis. No material effect is expected on the profit and loss account of the current year.

5 **Reversal of Revaluation Reserve of SBI's Leasehold Properties:**

In compliance with the RBI instructions, SBI has reversed the effect of revaluation amounting to ₹ 11,210.94 crore made in earlier periods in the value of certain leasehold properties, which has resulted in write back of depreciation earlier charged amounting to ₹ 193.24 crore.

6 RBI Circular DBR.No.BP.BC.102/21.04.048/2017-18 dated April 2, 2018 grants banks an option to spread provisioning on mark to market losses on investments held in AFS and HFT for the quarters ended December 31, 2017 and March 31, 2018. The circular states that the provisioning for each of these quarters may be spread equally over up to four quarters, commencing with the quarter in which the loss was incurred. The Bank has recognized the entire net mark to market loss on investments in the respective quarters and has not availed the said option

7 The disclosures relating to the divergence for the financial year 2016-17 in respect of provisions made by SBI against non-performing assets (excluding provisions made against standard assets) mandated in circular No. DBR. BP.BC.No.63/21.04.018/2016-17 dated April 18, 2017 issued by RBI is as under:

Sr. No	Particulars	Amount
		₹ in crore
1	Gross NPAs as on 31 March, 2017, as reported by SBI	112,342.99
2	Gross NPAs as on 31 March, 2017, as assessed	135,582.12
3	Divergence in Gross NPAs (2-1)	23,239.13
4	Net NPAs as on 31 March, 2017, as reported by SBI	58,277.38
5	Net NPAs as on 31 March, 2017, as assessed by RBI	75,795.85
6	Divergence in Net NPAs (5-4)	17,518.47
7	Provisions for NPAs as on 31 March, 2017, as reported by SBI	54,065.61
8	Provisions for NPAs as on 31 March, 2017, as assessed by RBI	59,786.27
9	Divergence in provisioning (8-7)*	5,720.66
10	Reported Net Profit after Tax (PAT) of SBI for the year ended March 31, 2017	10,484.10
11	Adjusted (notional) Net Profit after Tax (PAT) of SBI for the year ended March 31, 2017 after taking into account the divergence in provisioning	6,743.25

* The net current impact of the afore-mentioned retrospective slippages due to divergences noted by RBI has been duly reflected in the results for the year ended March 31, 2018.

8 Acquisition of Erstwhile Domestic Banking Subsidiaries (DBS) & Bharatiya Mahila Bank Limited

a) The Government of India has accorded sanction under sub-section (2) of section 35 of the State Bank of India Act, 1955, for acquisition of five domestic banking subsidiaries (DBS) of SBI namely (i) State Bank of Bikaner & Jaipur (SBBJ), (ii) State Bank of Mysore (SBM), (iii) State Bank of Travancore (SBT), (iv) State Bank of Patiala (SBP), (v) State Bank of Hyderabad (SBH) and for acquisition of Bharatiya Mahila Bank Limited (BMBL) (hereinafter collectively referred to as Transferor Banks) vide orders dated February 22, 2017 and March 20, 2017. As per GOI orders these schemes of acquisition shall come into effect from April 01, 2017 (hereafter referred to as the effective date).

As per the said scheme, the undertakings of the Transferor Banks which shall be deemed to include all business, assets, liabilities, reserves and surplus, present or contingent and all other rights and interest arising out of such property as were immediately before the effective date in the ownership, possession or power of the Transferor Banks shall be transferred to and will vest in SBI (hereinafter referred to as Transferee Bank) on and from the effective date.

b) The eligible shareholders of the merged entities were allotted shares of SBI, as mentioned below.

Name of the Transferor Banks	**Share exchange ratio/Issued**
State Bank of Bikaner and Jaipur (SBBJ)	28 shares of face value ₹ 1 each of SBI for every 10 shares of SBBJ of face value ₹ 10 each fully paid up aggregating to 4,8,854,308 shares of face value ₹ 1 each of SBI.
State Bank of Mysore (SBM)	22 shares of face value of ₹ 1 each for every 10 shares of SBM of face value ₹ 10 each fully paid up aggregating to 1,0,558,379 shares of face value ₹ 1 each of SBI.
State Bank of Travancore (SBT)	22 shares of face value of ₹ 1 each for every 10 shares of SBT of face value of ₹ 10 each fully paid up aggregating to 3,2,708,543 shares of face value ₹ 1 each of SBI.
Bharatiya Mahila Bank Limited (BMBL)	4,4,231,510 shares of face value of ₹ 1 each for 1,000,000,000 shares of BMBL of face value of ₹ 10 each fully paid up.

Further, SBI has paid cash in respect of entitlements to fraction of equity shares wherever so determined. In respect of State Bank of Patiala (SBP) and State Bank of Hyderabad (SBH) which were wholly owned entities, entire share capital of those banks were cancelled against the investments held in those entities.

c) The merger of DBS & BMBL with SBI, has been accounted under the 'pooling of interest' method as per Accounting Standard 14 (AS 14), "Accounting for amalgamation" and the approved Scheme of Acquisition. Pursuant thereto, all assets and liabilities amounting to ₹ 11,314.75 crore (net) of the transferor Banks have been recorded in the books of SBI at their existing carrying amounts as on effective date, in consideration for 136,352,740 shares of face value of ₹ 1 each of SBI and ₹ 0.25 crore paid in cash towards fractional entitlements as stated above and SBI's investments in e-DBS on effective date stands cancelled. The net difference between share capital of transferor banks of e-DBS & BMBL and corresponding investments by SBI and cash in lieu of fractional entitlement of shares have been transferred to Capital Reserve. The net assets taken over on amalgamation are as under:

₹ in crore

Particulars	**e-SBBJ**	**e-SBH**	**e-SBM**	**e-SBP**	**e-SBT**	**e-BMB**	**Total**
Assets taken over							
Cash & balances with RBI . . .	8,596.66	7,328.66	4,669.93	5,242.96	6,858.88	46.64	32,743.73
Balances with Banks & Money at Call & Short Notice	2,002.50	21,453.95	19,167.30	73.59	23,347.74	635.11	66,680.19
Investments	34,922.37	43,628.77	23,861.63	32,706.10	40,777.06	707.62	176,603.55
Advances.	64,830.01	79,375.57	34,474.63	70,018.98	48,617.57	567.49	297,884.25
Fixed Assets	1,353.65	1,662.33	1,532.58	1,420.45	995.82	22.68	6,987.51
Other Assets	4,558.73	9,598.12	5,261.05	13,367.08	5,176.53	50.94	38,012.45
Total Assets (A).	**116,263.92**	**163,047.40**	**88,967.12**	**122,829.16**	**125,773.60**	**2,030.48**	**618,911.68**
Liabilities taken over							
Reserves & Surplus	4,070.33	8,377.94	2,766.44	1,858.95	2,554.84	—	19,628.50
Deposits	104,008.73	141,898.94	78,474.22	100,794.63	114,688.90	975.77	540,841.19
Borrowings.	1,553.75	5,619.05	2,648.52	4,071.60	3,035.00	—	16,927.92
Other Liabilities & Provisions. .	4,378.86	6,783.92	4,072.09	11,244.88	3,700.24	19.33	30,199.32
Total Liabilities (B).	**114,011.67**	**162,679.85**	**87,961.27**	**117,970.06**	**123,978.98**	**995.10**	**607,596.93**
Net Assets taken over (A-B) . .	**2,252.25**	**367.55**	**1,005.85**	**4,859.10**	**1,794.62**	**1,035.38**	**11,314.75**
Net difference between share capital of e-DBS & BMBL and corresponding investments by SBI.	17.44	—	4.79	—	14.88	1,000.01	1,037.12
Less:							
(a)136,352,740 shares of face value of ₹ 1 each issued by SBI as consideration	4.88	—	1.05	—	3.28	4.43	13.64
(b)Cash in lieu of fractional entitlement of shares	0.12	—	0.09	—	0.04	—	0.25
Difference transferred to Capital Reserve	12.44	—	3.65	—	11.56	995.58	1,023.23

9 On April 18, 2017, RBI through its circular advised that the provisioning rates prescribed as per the prudential norms circular are the regulatory minimum and banks are encouraged to make provisions at higher rates in respect of advances to stressed sectors of the economy. Accordingly, during year, SBI as per its Board approved policy made additional general provision amounting to ₹ 74.66 crore on standard loans to borrowers.

10 RBI vide letter RBI 2017-18/131/DBR.No.BP.BC.101/21.04.048/2017-18 dated February 12, 2018, issued a Revised Framework for Resolution of Stressed Assets, which superseded the existing guidelines on CDR,SDR, change in ownership outside SDR, Flexible Structuring of Existing Long term project loans (5/25 Scheme) and S4A with immediate effect. Under the revised framework, the stand-still benefits for accounts where any of these schemes had been invoked but not yet implemented were revoked and accordingly these accounts have been classified by SBI as per the extant RBI prudential norms on Income Recognition and Asset Classification.

11 SBI has made an adhoc provision of ₹ 1,659.41 crore towards arrears of wages due for revision w.e.f November 01, 2017.

12 Profit/(loss) on sale of investment (net) under schedule 14 "Other Income" includes ₹ 5,036.21 crore on sale of partial investment in SBI Life Insurance Company Limited.

13 Counter Cyclical Provisioning Buffer (CCPB)

RBI vide Circular No. DBR.No.BP.BC.79/21.04.048/2014-15 dated March 30, 2015 on 'Utilisation of Floating Provisions/Counter Cyclical Provisioning Buffer' has allowed the banks, to utilise up to 50 per cent of CCPB held by them as on December 31, 2014, for making specific provisions for Non-Performing Assets (NPAs) as per the policy approved by the Bank's Board of Directors.

During the year, SBI has not utilized the CCPB for making specific provision for NPAs.

14 In respect of SBI Life Insurance Company Ltd., IRDAI has issued directions under Section 34(1) of the Insurance Act, 1938 to distribute the administrative charges paid to Master policy holders vide order no. IRDA/Life/ORD/Misc/228/10/2012 dated October 5, 2012 amounting to ₹ 84.32 crore (Previous Year ₹ 84.32 crore) and to refund the excess commission paid to corporate agent vide order no. IRDA/Life/ORD/Misc/083/03/2014 dated March 11, 2014 amounting to ₹ 275.29 crore (Previous Year ₹ 275.29 crore) respectively to the members or the beneficiaries. IRDAI issued further directions dated January 11, 2017 reiterating the directions issued on October 5, 2012. The company has filed appeals against the said directions/orders with the Appellate Authorities (i.e. Ministry of Finance, Govt. of India) and Securities Appellate Tribunal (SAT). As the final orders are pending, the aforesaid amounts have been disclosed as contingent liability.

15 The investments of life and general insurance subsidiaries have been accounted for in accordance with the IRDAI (Investment) Regulations, 2016 instead of restating the same in accordance with the accounting policy followed by SBI. The investments of insurance subsidiaries constitute approximate 9.87% (Previous Year 9.35%) of the total investments as on March 31, 2018.

16 In accordance with RBI circular DBODNO.BP.BC.42/21.01.02/2007-08, redeemable preference shares (if any) are treated as liabilities and the coupon payable thereon is treated as interest.

17 In accordance with current RBI guidelines, the general clarification issued by ICAI has been considered in the preparation of the consolidated financial statements. Accordingly, additional statutory information disclosed in separate financial statements of the parent and its subsidiaries having no bearing on the true and fair view of the consolidated financial statements and also the information pertaining to the items which are not material have not been disclosed in the consolidated financial statements in view of the Accounting Standard Interpretation issued by ICAI.

18 a) The results for the year ended March 31, 2018 include the result of operations of the erstwhile domestic banking subsidiaries (DBS) & Bharatiya Mahila Bank Limited (BMBL) for the period from April 1, 2017 to the year end. Hence, the results of the SBI Group are not comparable to that of the corresponding previous year

b) Previous year figures have been regrouped/reclassified, wherever necessary, to confirm to current year classification. In cases where disclosures have been made for the first time in terms of RBI guidelines/Accounting Standards, previous year's figures have not been mentioned.

Shri Dinesh Kumar Khara	**Shri P. K. Gupta**	**Shri B. Sriram**
MD (Risk, IT & Subsidiaries)	MD (Retail & Digital Banking)	MD (Corporate & Global Banking)

In term of our Report of even date.
For **Varma and Varma**
Chartered Accountants

Shri Rajnish Kumar
Chairman

Shri P R Prasanna Varma
Partner
Mem. No.: 025854
Firm Regn. No.: 004532 S

Mumbai
Dated 22nd May, 2018

Independent Auditors' Report

To
The President of India,

Report on the Standalone Financial Statements

1. We have audited the accompanying standalone financial statements of State Bank of India ("the Bank") as at March 31 2018, which comprise the Balance Sheet as on that date, and the Profit and Loss Account and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information. Incorporated in these standalone financial statements are the returns of -

   i) The Central Offices, 16 Local Head Offices, Global Market Group, International Business Group, Corporate Accounts Group (Central), Mid-Corporate Group (Central), Stressed Assets Resolution Group (Central), Central Accounts Offices and 42 branches audited by us;

   ii) 14,566 Indian Branches audited by other auditors;

   iii) 51 Foreign Branches audited by the local auditors.

   The branches audited by us and those audited by other auditors have been selected by the Bank in accordance with the guidelines issued to the Bank by the Reserve Bank of India. Also incorporated in the Balance Sheet and the Profit and Loss Account are the returns from 9,033 Indian Branches (including other accounting units) which have not been subjected to audit. These unaudited branches account for 3.49 % of advances, 12.56 % of deposits, and 4.62 % of interest income and 12.85 % of interest expenses.

Management's Responsibility for the Standalone Financial Statements

2. The Bank's management is responsible for the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the requirements of the Reserve Bank of India, the provisions of the Banking Regulation Act, 1949, the State Bank of India Act, 1955 and recognised accounting policies and practices, including the Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI). This responsibility of the management includes the design, implementation and maintenance of internal controls and risk management systems relevant to the preparation of the standalone financial statements that are free from material misstatement, whether due to fraud or error. In making those risk assessments, the management has implemented such internal controls that are relevant to the preparation of the standalone financial statements and designed procedures that are appropriate in the circumstances so that the internal control with regard to all the activities of the Bank is effective.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these standalone financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the standalone financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the standalone financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the standalone financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion, as shown by books of the Bank, and to the best of our information and according to the explanations given to us:

   (i) the Balance Sheet, read with the significant accounting policies and the notes thereon is a full and fair Balance Sheet containing all the necessary particulars, is properly drawn up so as to exhibit a true and fair view of state of affairs of the Bank as at March 31, 2018 in conformity with accounting principles generally accepted in India;

   (ii) the Profit and Loss Account, read with the significant accounting policies and the notes thereon shows a true balance of loss, in conformity with accounting principles generally accepted in India, for the year covered by the account; and

   (iii) the Cash Flow Statement gives a true and fair view of the cash flows for the year ended on that date.

Emphasis of Matter

7. We draw attention to:

   a) Note no 18(9)(b), regarding unamortized balance of INR 2,707.50 crore on account of additional liabilities towards Gratuity; and

   b) Note no 18(9)(g), regarding recognition of Deferred Tax Assets of INR 2,461.40 Crore on provision for standard assets.

   Our Opinion is not modified in respect of the above stated matters.

Report on Other Legal and Regulatory Requirements

8. The Balance Sheet and the Profit and Loss Account have been drawn up in Forms "A" and "B" respectively of the Third Schedule to the Banking Regulation Act, 1949 and these give information as required to be given by virtue of the provisions of the State Bank of India Act, 1955 and regulations there under.

9. Subject to the limitations of the audit indicated in paragraphs 1 to 5 above and as required by the State Bank of India Act, 1955, and subject also to the limitations of disclosure required there in, we report that:

   a) We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purposes of our audit and have found them to be satisfactory.

   b) The transactions of the Bank, which have come to our notice, have been within the powers of the Bank.

   c) The returns received from the offices and branches of the Bank have been found adequate for the purposes of our audit.

10. We further report that:

   a) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account and returns.

   b) The reports on the accounts of the branch offices audited by branch auditors of the Bank as per the provisions of the Banking Regulation Act, 1949, and the State Bank of India Act, 1955 have been sent to us and have been properly dealt with by us in preparing this report.

   c) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement comply with the applicable accounting standards.

For VARMA & VARMA Chartered Accountants	**For MANUBHAI & SHAH LLP** Chartered Accountants	**For M BHASKARA RAO & CO.** Chartered Accountants
P R PRASANNA VARMA Partner : M. No.025854 Firm Regn. No. 004532 S	**HITESH M. POMAL** Partner : M. No.106137 Firm Regn. No.106041W/W100136	**M V RAMANA MURTHY** Partner : M. No. 206439 Firm Regn. No. 000459 S
For GSA & ASSOCIATES Chartered Accountants	**For CHATTERJEE & CO.** Chartered Accountants	**For BANSAL & CO LLP** Chartered Accountants
SUNIL AGGARWAL Partner: M. No.083899 Firm Regn. No. 000257 N	**R N BASU** Partner: M. No. 050430 Firm Regn. No. 302114 E	**R.C. PANDEY** Partner : M. No. 070811 Firm Regn. No. 001113N/N500079
For AMIT RAY & CO. Chartered Accountants	**For S L CHHAJED & CO.** Chartered Accountants	**For MITTAL GUPTA & CO.** Chartered Accountants
BASUDEB BANERJEE Partner : M. No.070468 Firm Regn. No. 000483 C	**ABHAY CHHAJED** Partner : M. No. 079662 Firm Regn. No. 000709 C	**AKSHAY KUMAR GUPTA** Partner : M. No. 070744 Firm Regn. No. 001874 C
For RAO & KUMAR Chartered Accountants	**For BRAHMAYYA & CO.** Chartered Accountants	**For RAY & RAY** Chartered Accountants
K. CH. S. GURU PRASAD Partner : M. No.215652 Firm Regn. No. 003089 S	**K. JITENDRA KUMAR** Partner : M. No. 201825 Firm Regn. No. 000511 S	**ABHIJIT NEOGI** Partner: M. No. 61380 Firm Regn. No. 301072 E
For CHATURVEDI & SHAH Chartered Accountants	**For S K MITTAL & CO.** Chartered Accountants	
VITESH D. GANDHI Partner : M. No. 110248 Firm Regn. No. 101720 W	**S. K. MITTAL** Partner : M. No. 008506 Firm Regn. No. 001135 N	

Place : Mumbai
Date : 22nd May, 2018

STATE BANK OF INDIA
BALANCE SHEET AS ON 31ST MARCH, 2018

(000s omitted)

	Schedule No.	As on 31.03.2018 (Current Year)	As on 31.03.2017 (Previous Year)
		₹	₹
CAPITAL AND LIABILITIES			
Capital	1	8,924,588	7,973,504
Reserves & Surplus	2	2,182,361,015	1,874,887,122
Deposits	3	27,063,432,850	20,447,513,947
Borrowings	4	3,621,420,745	3,176,936,583
Other Liabilities and Provisions	5	1,671,380,768	1,552,351,885
TOTAL		**34,547,519,966**	**27,059,663,041**
ASSETS			
Cash and Balances with Reserve Bank of India	6	1,503,971,814	1,279,976,177
Balances with Banks and money at call and short notice	7	415,014,605	439,740,321
Investments	8	10,609,867,150	7,659,896,309
Advances	9	19,348,801,891	15,710,783,811
Fixed Assets	10	399,922,511	429,189,179
Other Assets	11	2,269,941,995	1,540,077,244
TOTAL		**34,547,519,966**	**27,059,663,041**
Contingent Liabilities	12	11,620,206,930	10,464,409,319
Bills for Collection	—	740,279,024	656,404,204
Significant Accounting Policies	17		
Notes to Accounts	18		

Schedules referred to above form an integral part of the Balance sheet

Signed by:

Shri Dinesh Kumar Khara
Managing Director
(Risk, IT & Subsidiaries)

Shri P. K. Gupta
Managing Director
(Retail & Digital Banking)

Shri B. Sriram
Managing Director
(Corporate & Global Banking)

Directors:
Dr. Purnima Gupta
Shri Sanjiv Malhotra
Shri Basant Seth
Dr. Girish Kumar Ahuja
Shri Chandan Sinha
Dr. Pushpendra Rai
Shri Bhaskar Pramanik

Shri Rajnish Kumar
Chairman

Place: Mumbai
Date: 22nd May, 2018

In terms of our report of even date

For VARMA & VARMA Chartered Accountants	**For MANUBHAI & SHAH LLP** Chartered Accountants	**For M BHASKARA RAO & CO.** Chartered Accountants
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For RAO & KUMAR Chartered Accountants	**For BRAHMAYYA & CO.** Chartered Accountants	**For RAY & RAY** Chartered Accountants
K. CH. S. GURU PRASAD Partner : M. No.215652 Firm Regn. No. 003089 S	**K. JITENDRA KUMAR** Partner : M. No. 201825 Firm Regn. No. 000511 S	**ABHIJIT NEOGI** Partner: M. No. 61380 Firm Regn. No. 301072 E
For CHATURVEDI & SHAH Chartered Accountants	**For S K MITTAL & CO.** Chartered Accountants	
VITESH D. GANDHI Partner : M. No. 110248 Firm Regn. No. 101720 W	**S. K. MITTAL** Partner : M. No. 008506 Firm Regn. No. 001135 N	

Place : Mumbai
Date : 22nd May, 2018

STATE BANK OF INDIA
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2018

(000s omitted)

		Schedule No.	Year ended 31.03.2018 (Current Year)	Year ended 31.03.2017 (Previous Year)
			₹	₹
I.	**INCOME**			
	Interest earned	13	2,204,993,156	1,755,182,404
	Other Income	14	446,006,871	354,609,275
	TOTAL		**2,651,000,027**	**2,109,791,679**
II.	**EXPENDITURE**			
	Interest expended	15	1,456,456,000	1,136,585,034
	Operating expenses	16	599,434,464	464,727,694
	Provisions and contingencies		660,584,100	403,637,925
	TOTAL		**2,716,474,564**	**2,004,950,653**
III.	**PROFIT**			
	Net Profit/ (Loss) for the year		(65,474,537)	104,841,026
	Add: Profit brought forward		3,168	3,168
	Loss of eABs & BMB on amalgamation		(64,076,897)	—
	TOTAL		**(129,548,266)**	**104,844,194**
IV.	**APPROPRIATIONS**			
	Transfer to Statutory Reserve		—	31,452,308
	Transfer to Capital Reserve		32,888,788	14,933,864
	Transfer to Revenue and other Reserves		(11,651,368)	34,305,464
	Dividend for the current year		—	21,085,629
	Tax on Dividend for the Current year		—	3,063,761
	Balance carried over to Balance Sheet		(150,785,686)	3,168
	TOTAL		**(129,548,266)**	**104,844,194**
	Basic Earnings per Share		₹-7.67	₹13.43
	Diluted Earnings per Share		₹-7.67	₹13.43
	Significant Accounting Policies	17		
	Notes to Accounts	18		

The schedules referred to above form an integral part of the Profit & Loss Account.

Signed by:

Shri Dinesh Kumar Khara
Managing Director
(Risk, IT & Subsidiaries)

Shri P. K. Gupta
Managing Director
(Retail & Digital Banking)

Shri B. Sriram
Managing Director
(Corporate & Global Banking)

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Shri Basant Seth
Dr. Girish Kumar Ahuja
Shri Chandan Sinha
Dr. Pushpendra Rai
Shri Bhaskar Pramanik

Shri Rajnish Kumar
Chairman

Place: Mumbai
Date: 22nd May, 2018

In terms of our report of even date

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For CHATURVEDI & SHAH Chartered Accountants	**For S K MITTAL & CO.** Chartered Accountants	
VITESH D. GANDHI Partner : M. No. 110248 Firm Regn. No. 101720 W	**S. K. MITTAL** Partner : M. No. 008506 Firm Regn. No. 001135 N	

Place : Mumbai
Date : 22nd May, 2018

STATE BANK OF INDIA
CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2018

(000s omitted)

PARTICULARS		Year ended 31.03.2018 (Current Year)	Year ended 31.03.2017 (Previous Year)
		₹	₹
CASH FLOW FROM OPERATING ACTIVITIES:			
Net Profit / (loss) before Taxes		(155,282,416)	148,551,627
Adjustments for:			
Depreciation on Fixed Assets		29,194,663	22,933,096
(Profit)/Loss on sale of Fixed Assets (Net)		300,300	370,549
(Profit)/Loss on revaluation of Investments (Net)		11,206,102	—
(Profit)/Loss on sale of Investments in Subsidiaries / Joint Ventures / Associates		(56,398,981)	(17,550,000)
Provision for diminution in fair value & Non Performing Assets		706,802,369	322,466,915
Provision on Standard Assets		(36,036,616)	24,996,429
Provision for depreciation on Investments		80,875,743	2,983,939
Other provisions including provision for contingencies		(1,249,517)	9,480,040
Income from Investment in Subsidiaries / Joint Ventures / Associates		(4,485,170)	(6,883,540)
Interest on Capital Instruments		44,720,427	41,952,359
		619,646,904	549,301,414
Adjustments for:			
Increase/(Decrease) in Deposits		1,210,229,524	3,140,289,586
Increase/ (Decrease) in Borrowings other than Capital Instruments		426,298,528	(46,407,153)
(Increase)/ Decrease in Investments other than Investments in Subsidiaries / Joint Ventures / Associates		(1,361,641,243)	(1,880,050,005)
(Increase)/ Decrease in Advances		(1,365,977,956)	(1,396,246,551)
Increase/ (Decrease) in Other Liabilities		(22,141,947)	(74,695,080)
(Increase)/ Decrease in Other Assets		(290,864,224)	(180,512,683)
		(784,450,414)	111,679,528
Tax refund/ (Taxes paid)		(69,802,058)	(1,076,317)
NET CASH GENERATED FROM/ (USED IN) OPERATING ACTIVITIES	**A**	**(854,252,472)**	**110,603,211**
CASH FLOW FROM INVESTING ACTIVITIES:			
(Increase)/ Decrease in Investments in Subsidiaries / Joint Ventures / Associates		(11,041,039)	(26,312,415)
Profit/(Loss) on sale of Investments in Subsidiaries / Joint Ventures / Associates		56,398,981	17,550,000
Income from Investment in Subsidiaries / Joint Ventures / Associates		4,485,170	6,883,540
(Increase)/ Decrease in Fixed Assets		(41,049,778)	(29,605,619)
Cash paid to shareholders of erstwhile Domestic Banking Subsidiaries & Bhartiya Mahila Bank towards fractional entitlements consequent to merger		(2,518)	—
NET CASH GENERATED FROM/ (USED IN) INVESTING ACTIVITIES	**B**	**8,790,816**	**(31,484,494)**

PARTICULARS		Year ended 31.03.2018 (Current Year)	(000s omitted) Year ended 31.03.2017 (Previous Year)
		₹	₹
CASH FLOW FROM FINANCING ACTIVITIES:			
Proceeds from issue of equity shares including share premium (Net)		237,824,547	56,748,291
Issue/(Redemption) of Capital Instruments (Net)		(126,032,250)	(9,224,000)
Interest on Capital Instruments		(44,720,427)	(41,952,359)
Dividend paid including tax thereon		(24,162,671)	(23,374,638)
NET CASH GENERATED FROM/ (USED IN) FINANCING ACTIVITIES	**C**	**42,909,199**	**(17,802,706)**
EFFECT OF EXCHANGE FLUCTUATION ON TRANSLATION RESERVE	**D**	**12,919,479**	**(16,276,078)**
CASH & CASH EQUIVALENTS RECEIVED ON ACCOUNT OF MERGER OF DOMESTIC BANKING SUBSIDIARIES & BHARTIYA MAHILA BANK	**E**	**988,902,899**	**—**
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS (A+B+C+D+E)		**199,269,921**	**45,039,933**
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**1,719,716,498**	**1,674,676,565**
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**1,918,986,419**	**1,719,716,498**
Note: Components of Cash & Cash Equivalents as at:		**31.03.2018**	**31.03.2017**
Cash & Balance with RBI		1,503,971,814	1,279,976,177
Balances with Banks and money at call & short notice		415,014,605	439,740,321
		1,918,986,419	**1,719,716,498**

Signed by:

Shri Dinesh Kumar Khara
Managing Director
(Risk, IT & Subsidiaries)

Shri P. K. Gupta
Managing Director
(Retail & Digital Banking)

Shri B. Sriram
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Shri Basant Seth
Dr. Girish Kumar Ahuja
Shri Chandan Sinha
Dr. Pushpendra Rai
Shri Bhaskar Pramanik

Shri Rajnish Kumar
Chairman

Place: Mumbai
Date: 22nd May, 2018

In terms of our report of even date

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Place : Mumbai
Date : 22nd May, 2018

Schedules Schedule 1 - Capital

	As on 31.03.2018 (Current Year)	As on 31.03.2017 (Previous Year)
		(000s omitted)
	₹	₹
Authorised Capital :		
50,000,000,000 shares of ₹ 1 each (Previous Year 50,000,000,000 shares of ₹ 1 each)	50,000,000	50,000,000
Issued Capital :		
8,925,405,164 equity shares of ₹ 1 each (Previous Year 7,974,325,472 equity shares of ₹ 1 each)	8,925,405	7,974,325
Subscribed and Paid-up Capital :		
8,924,587,534 equity shares of ₹ 1 each (Previous Year 7,973,504,442 equity shares of ₹ 1 each) [The above includes 126,248,980 equity shares of ₹ 1 each (Previous Year 127,016,300 equity shares of ₹ 1 each) represented by 12,624,898 (Previous Year 12,701,630) Global Depository Receipts]	8,924,588	7,973,504
TOTAL	**8,924,588**	**7,973,504**

Schedule 2 - Reserves & Surplus

		As on 31.03.2018 (Current Year)		As on 31.03.2017 (Previous Year)	
					(000s omitted)
		₹		₹	
I.	**Statutory Reserves**				
	Opening Balance	539,698,367		508,246,059	
	Additions during the year	113,671,470		31,452,308	
	Deductions during the year	—		—	
			653,369,837		539,698,367
II.	**Capital Reserves**				
	Opening Balance	36,881,759		21,947,895	
	Additions during the year	57,034,829		14,933,864	
	Deductions during the year	—		—	
			93,916,588		36,881,759
III.	**Share Premium**				
	Opening Balance	554,232,336		497,694,771	
	Additions during the year	237,185,811		56,599,272	
	Deductions during the year	175,996		61,707	
			791,242,151		554,232,336
IV.	**Foreign Currency Translation Reserve**				
	Opening Balance	44,286,394		60,562,472	
	Additions during the year	14,826,584		—	
	Deductions during the year	1,907,105		16,276,078	
			57,205,873		44,286,394
V.	**Revenue and Other Reserves***				
	Opening Balance	383,928,599		346,527,218	
	Additions during the year	148,889,448		37,401,381	
	Deductions during the year	43,885,660		—	
			488,932,387		383,928,599

		As on 31.03.2018 (Current Year)		As on 31.03.2017 (Previous Year)	(000s omitted)
		₹		₹	
VI.	**Revaluation Reserve**				
	Opening Balance	315,856,499		—	
	Additions during the year	46,706,397		318,952,417	
	Deductions during the year	114,083,031		3,095,918	
			248,479,865		315,856,499
VII.	**Balance of Profit and Loss Account**		(150,785,686)		3,168
	* Note: Revenue and Other Reserves include				
	(i) ₹ 50,000 thousand (Previous Year ₹ 50,000 thousand) of Integration and Development Fund (maintained under Section 36 of the State Bank of India Act, 1955)				
	(ii) Special Reserve under Section 36(1)(viii) of the Income Tax Act, 1961 ₹ 134,217,676 thousand (Previous Year ₹ 101,776,723 thousand)				
	(iii) Investment Reserves Current Year Nil (Previous Year ₹ 10,829,782 thousand)				
	TOTAL		**2,182,361,015**		**1,874,887,122**

Additions during the year includes receipt from erstwhile ABs and BMBL on acquisition

Schedule 3 - Deposits

(000s omitted)

			As on 31.03.2018 (Current Year)	As on 31.03.2017 (Previous Year)
			₹	₹
A.	**I.**	**Demand Deposits**		
		(i) From Banks	53,268,276	55,074,388
		(ii) From Others	1,848,470,592	1,469,136,668
	II.	**Savings Bank Deposits**	10,137,744,709	7,589,613,854
	III.	**Term Deposits**		
		(i) From Banks	152,187,864	195,610,568
		(ii) From Others	14,871,761,409	11,138,078,469
	TOTAL		**27,063,432,850**	**20,447,513,947**
B	**I.**	**Deposits of Branches in India**	25,993,934,321	19,533,000,827
	II.	**Deposits of Branches outside India**	1,069,498,529	914,513,120
	TOTAL		**27,063,432,850**	**20,447,513,947**

Schedule 4 - Borrowings

(000s omitted)

		As on 31.03.2018 (Current Year)		As on 31.03.2017 (Previous Year)	
		₹		₹	
I.	**Borrowings in India**				
	(i) Reserve Bank of India		942,520,000		50,000,000
	(ii) Other Banks		16,038,543		14,750,000
	(iii) Other Institutions and Agencies		24,118,326		694,892,676
	(iv) Capital Instruments :				
	a. Innovative Perpetual Debt Instruments (IPDI)	118,350,000		92,650,000	
	b. Subordinated Debt	325,408,380		324,063,380	
			443,758,380		416,713,380
	TOTAL		**1,426,435,249**		**1,176,356,056**
II.	**Borrowings outside India**				
	(i) Borrowings and Refinance outside India		2,175,432,996		1,940,594,277
	(ii) Capital Instruments : Innovative Perpetual Debt Instruments (IPDI)		19,552,500		59,986,250
	TOTAL		**2,194,985,496**		**2,000,580,527**
	GRAND TOTAL		**3,621,420,745**		**3,176,936,583**
Secured Borrowings included in I & II above			**1,066,370,205**		**775,762,694**

Schedule 5 - Other Liabilities & Provisions

(000s omitted)

		As on 31.03.2018 (Current Year)	As on 31.03.2017 (Previous Year)
		₹	₹
I.	Bills payable	266,177,490	266,668,428
II.	Inter-office adjustments (Net)	407,345,750	356,455,415
III.	Interest accrued	162,796,296	130,809,199
IV.	Deferred Tax Liabilities (Net)	28,059	29,897,714
V.	Others (including provisions)*	835,033,173	768,521,129
	* Includes prudential provision for Standard Assets ₹ 124,994,635 thousand (Previous Year ₹ 136,782,356 thousand)		
	TOTAL	**1,671,380,768**	**1,552,351,885**

Schedule 6 - Cash and Balances with Reserve Bank of India

(000s omitted)

		As on 31.03.2018 (Current Year)	As on 31.03.2017 (Previous Year)
		₹	₹
I.	Cash in hand (including foreign currency notes and gold)	154,724,220	120,303,117
II.	Balance with Reserve Bank of India		
	(i) In Current Account	1,349,247,594	1,159,673,060
	(ii) In Other Accounts	—	—
	TOTAL	**1,503,971,814**	**1,279,976,177**

Schedule 7 - Balances with Banks and Money at Call & Short Notice

(000s omitted)

	As on 31.03.2018 (Current Year) ₹	As on 31.03.2017 (Previous Year) ₹
I. In India		
(i) Balances with banks		
(a) In Current Accounts	485,990	1,908,627
(b) In Other Deposit Accounts	—	—
(ii) Money at call and short notice		
(a) With banks	16,144,426	67,430,000
(b) With other institutions	—	—
TOTAL	**16,630,416**	**69,338,627**
II. Outside India		
(i) In Current Accounts	285,280,913	228,074,551
(ii) In Other Deposit Accounts	12,264,394	44,547,798
(iii) Money at call and short notice	100,838,882	97,779,345
TOTAL	**398,384,189**	**370,401,694**
GRAND TOTAL (I and II)	**415,014,605**	**439,740,321**

Schedule 8 - Investments

(000s omitted)

	As on 31.03.2018 (Current Year) ₹	As on 31.03.2017 (Previous Year) ₹
I. Investments in India in :		
(i) Government Securities	8,483,958,444	5,752,387,065
(ii) Other approved securities	—	—
(iii) Shares	105,166,901	54,456,997
(iv) Debentures and Bonds	779,629,346	598,474,025
(v) Subsidiaries and/or Joint Ventures (including Associates)	50,779,743	113,634,535
(vi) Others (Units of Mutual Funds, Commercial Papers etc.)	728,825,659	723,636,394
TOTAL	**10,148,360,093**	**7,242,589,016**
II. Investments outside India in :		
(i) Government Securities (including local authorities)	105,204,585	88,210,182
(ii) Subsidiary and/or Joint Ventures abroad	27,122,230	26,437,500
(iii) Other Investments (Shares, Debentures etc.)	329,180,242	302,659,611
TOTAL	**461,507,057**	**417,307,293**
GRAND TOTAL (I and II)	**10,609,867,150**	**7,659,896,309**
III. Investments in India :		
(i) Gross Value of Investments	10,264,383,691	7,254,214,168
(ii) Less: Aggregate of Provisions / Depreciation	116,023,598	11,625,152
(iii) Net Investments (vide I above) **TOTAL**	**10,148,360,093**	**7,242,589,016**
IV. Investments outside India :		
(i) Gross Value of Investments	466,589,418	418,157,658
(ii) Less: Aggregate of Provisions / Depreciation	5,082,361	850,365
(iii) Net Investments (vide II above) **TOTAL**	**461,507,057**	**417,307,293**
GRAND TOTAL (III and IV)	**10,609,867,150**	**7,659,896,309**

Schedule 9 - Advances

				As on 31.03.2018 (Current Year)	As on 31.03.2017 (Previous Year)
				(000s omitted)	
				₹	₹
A.	I.	Bills purchased and discounted		676,135,555	739,978,642
	II.	Cash credits, overdrafts and loans repayable on demand		7,462,523,811	6,050,163,399
	III.	Term loans		11,210,142,525	8,920,641,770
	TOTAL			**19,348,801,891**	**15,710,783,811**
B.	I.	Secured by tangible assets (includes advances against Book Debts)		15,059,887,217	12,061,853,370
	II.	Covered by Bank/ Government Guarantees		686,511,660	820,069,183
	III.	Unsecured		3,602,403,014	2,828,861,258
	TOTAL			**19,348,801,891**	**15,710,783,811**
C.	I.	Advances in India			
		(i)	Priority Sector	4,483,589,560	3,412,575,006
		(ii)	Public Sector	1,619,392,446	1,216,306,269
		(iii)	Banks	28,451,997	14,044,469
		(iv)	Others	10,234,643,900	8,233,491,879
	TOTAL			**16,366,077,903**	**12,876,417,623**
	II.	Advances outside India			
		(i)	Due from banks	771,096,356	878,027,538
		(ii)	Due from others		
			(a) Bills purchased and discounted	145,390,435	116,726,158
			(b) Syndicated loans	1,206,858,616	1,010,777,418
			(c) Others	859,378,581	828,835,074
	TOTAL			**2,982,723,988**	**2,834,366,188**
	GRAND TOTAL [C (I) and C (II)]			**19,348,801,891**	**15,710,783,811**

Schedule 10 - Fixed Assets

					(000s omitted)
		As on 31.03.2018 (Current Year)		**As on 31.03.2017 (Previous Year)**	
		₹		₹	
I.	**Premises (including Revalued Premises)**				
	At cost as on 31st March of the preceding year	359,612,986		36,345,800	
	Additions:				
	- during the year	10,562,424		4,357,961	
	- for Revaluation	44,773,982		318,952,417	
	Deductions during the year	112,934,010		43,192	
	Depreciation to date:				
	- on cost	6,140,831		5,791,577	
	- on Revaluation	3,086,678		3,095,918	
			292,787,873		350,725,491
II.	**Other Fixed Assets (including furniture and fixtures)**				
	At cost as on 31st March of the preceding year	218,563,533		195,512,004	
	Additions during the year	92,326,568		27,081,372	
	Deductions during the year	9,741,005		4,029,843	
	Depreciation to date	201,929,849		145,839,116	
			99,219,247		72,724,417
III.	**Leased Assets**				
	At cost as on 31st March of the preceding year	—		—	
	Additions during the year	—		—	
	Deductions during the year	—		—	
	Depreciation to date including provision	—		—	
			—		—
IV.	**Assets under Construction (Including Premises)**		7,915,391		5,739,271
	TOTAL (I, II, III & IV)		399,922,511		429,189,179

Additions during the year includes receipt from erstwhile ABs and BMBL on acquisition

Schedule 11 - Other Assets

		As on 31.03.2018 (Current Year)	As on 31.03.2017 (Previous Year)
		(000s omitted)	
		₹	₹
I.	Inter-Office adjustments (net)	—	—
II.	Interest accrued	257,144,661	186,588,785
III.	Tax paid in advance / tax deducted at source	175,461,108	88,141,805
IV.	Deferred Tax Assets (Net)	113,687,919	4,279,049
V.	Stationery and Stamps	1,070,592	908,091
VI.	Non-banking assets acquired in satisfaction of claims	46,472	39,100
VII.	Others*	1,722,531,243	1,260,120,414
	* Includes Deposits placed with NABARD/SIDBI/NHB amounting to ₹ 956,431,691 thousand (Previous Year ₹ 594,072,213 thousand)		
	TOTAL	**2,269,941,995**	**1,540,077,244**

Schedule 12 - Contingent Liabilities

		As on 31.03.2018 (Current Year)	As on 31.03.2017 (Previous Year)
		(000s omitted)	
		₹	₹
I.	Claims against the bank not acknowledged as debts	351,530,300	289,710,214
II.	Liability for partly paid investments / Venture Funds	6,194,430	5,999,540
III.	Liability on account of outstanding forward exchange contracts	6,441,024,528	5,726,015,362
IV.	Guarantees given on behalf of constituents		
	(a) In India	1,488,665,448	1,312,077,338
	(b) Outside India	674,692,689	711,521,081
V.	Acceptances, endorsements and other obligations	1,212,389,474	1,000,595,731
VI.	Other items for which the bank is contingently liable*	1,445,710,061	1,418,490,053
	* Includes Derivatives ₹ 1,411,544,039 thousand (Previous Year ₹ 139,6697,558 thousand)		
	TOTAL	**11,620,206,930**	**10,464,409,319**

Schedule 13 - Interest Earned

		Year ended 31.03.2018 (Current Year)	Year ended 31.03.2017 (Previous Year)
		(000s omitted)	
		₹	₹
I.	Interest / discount on advances / bills	1,413,631,678	1,195,100,030
II.	Income on investments	703,376,167	482,053,054
III.	Interest on balances with Reserve Bank of India and other inter-bank funds	22,499,969	17,534,671
IV.	Others	65,485,342	60,494,649
	TOTAL	**2,204,993,156**	**1,755,182,404**

Schedule 14 - Other Income

		Year ended 31.03.2018 (Current Year)	(000s omitted) Year ended 31.03.2017 (Previous Year)
		₹	₹
I.	Commission, exchange and brokerage	229,968,004	162,765,734
II.	Profit / (Loss) on sale of investments (Net)[1]	134,233,483	107,496,195
III.	Profit / (Loss) on revaluation of investments (Net)	(11,206,102)	—
IV.	Profit / (Loss) on sale of land, building and other assets (Net)	(300,300)	(370,548)
V.	Profit / (Loss) on exchange transactions (Net)	24,845,952	23,884,490
VI.	Income earned by way of dividends, etc., from subsidiaries/ companies and/ or joint ventures abroad/ in India	4,485,170	6,883,540
VII.	Income from finance lease	—	—
VIII.	Miscellaneous Income[2]	63,980,664	53,949,864
	TOTAL	**446,006,871**	**354,609,275**

1 Profit/ (Loss) on sale of investments (Net) includes exceptional item of ₹ 5,436.17 crore (Previous year nil).

2 Miscellaneous Income includes Recoveries made in write-off accounts ₹ 5,333.20 crore (Previous year ₹ 3476.94 crore).

Schedule 15 - Interest Expended

		Year ended 31.03.2018 (Current Year)	(000s omitted) Year ended 31.03.2017 (Previous Year)
		₹	₹
I.	Interest on deposits	1,357,257,041	1,055,987,522
II.	Interest on Reserve Bank of India/ Inter-bank borrowings	53,124,279	38,374,697
III.	Others	46,074,680	42,222,815
	TOTAL	**1,456,456,000**	**1,136,585,034**

Schedule 16 - Operating Expenses

		Year ended 31.03.2018 (Current Year)	(000s omitted) Year ended 31.03.2017 (Previous Year)
		₹	₹
I.	Payments to and provisions for employees	331,786,795	264,892,801
II.	Rent, taxes and lighting	51,404,315	39,568,626
III.	Printing & Stationery	5,181,363	4,111,779
IV.	Advertisement and publicity	3,583,254	2,811,358
V.	Depreciation on Bank's property	29,194,663	22,933,095
VI.	Directors' fees, allowances and expenses	6,193	8,612
VII.	Auditors' fees and expenses (including branch auditors' fees and expenses)	2,891,807	2,161,088
VIII.	Law charges	1,990,348	1,895,607
IX.	Postages, Telegrams, Telephones, etc.	8,670,365	7,599,519
X.	Repairs and maintenance	8,269,329	6,397,529
XI.	Insurance	27,598,805	19,292,312
XII.	Other expenditure	128,857,227	93,055,368
	TOTAL	**599,434,464**	**464,727,694**

Schedule 17- Significant Accounting Policies:

A. Basis of Preparation:

The Bank's financial statements are prepared under the historical cost convention, on the accrual basis of accounting on going concern basis, unless otherwise stated and conform in all material aspects to Generally Accepted Accounting Principles (GAAP) in India, which comprise applicable statutory provisions, regulatory norms/ guidelines prescribed by the Reserve Bank of India (RBI), Banking Regulation Act, 1949, Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI), and the practices prevalent in the banking industry in India.

B. Use of Estimates:

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amount of assets and liabilities (including contingent liabilities) as on the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

C. Significant Accounting Policies:

1. Revenue recognition:

1.1 Income and expenditure are accounted on accrual basis, except otherwise stated. As regards Bank's foreign offices, income and expenditure are recognised as per the local laws of the country in which the respective foreign office is located.

1.2 Interest/ Discount income is recognised in the Profit and Loss Account as it accrues except: (i) income from Non- Performing Assets (NPAs), comprising of advances, leases and investments, which is recognised upon realisation, as per the prudential norms prescribed by the RBI/ respective country regulators in the case of foreign offices (hereafter collectively referred to as Regulatory Authorities), (ii) overdue interest on investments and bills discounted, (iii) Income on Rupee Derivatives designated as "Trading", which are accounted on realisation.

1.3 Profit or Loss on sale of investments is recognised in the Profit and Loss Account. However, the profit on sale of investments in the "Held to Maturity" category is appropriated (net of applicable taxes and amount required to be transferred to statutory reserve) to "Capital Reserve Account".

1.4 Income from finance leases is calculated by applying the interest rate implicit in the lease to the net investment outstanding in the lease, over the primary lease period. Leases effective from April 1, 2001 are accounted as advances at an amount equal to the net investment in the lease as per Accounting Standard 19 —"Leases" issued by ICAI. The lease rentals are apportioned between principal and finance income based on a pattern reflecting a constant periodic return on the net investment outstanding in respect of finance leases. The principal amount is utilized for reduction in balance of net investment in lease and finance income is reported as interest income.

1.5 Income (other than interest) on investments in "Held to Maturity (HTM)" category acquired at a discount to the face value, is recognised as follows:

a. On Interest bearing securities, it is recognised only at the time of sale/ redemption.

b. On zero-coupon securities, it is accounted for over the balance tenor of the security on a constant yield basis.

1.6 Dividend income is recognised when the right to receive the dividend is established.

1.7 Commission on LC/ BG, Deferred Payment Guarantee, Government Business, ATM interchange fee & "Upfront fee on restructured account" are recognised on accrual basis proportionately for the period. All other commission and fee income are recognised on their realisation.

1.8 One time Insurance Premium paid under Special Home Loan Scheme (December 2008 to June 2009) is amortised over average loan period of 15 years.

1.9 Brokerage, Commission etc. paid/ incurred in connection with issue of Bonds/ Deposits are amortized over the tenure of the related Bonds/ Deposits and the expenses incurred in connection with the issue are charged upfront.

1.10 The sale of NPA is accounted as per guidelines prescribed by RBI :

i. When the bank sells its financial assets to Securitisation Company (SC)/ Reconstruction Company (RC), the same is removed from the books.

ii. If the sale is at a price below the net book value (NBV) (i.e. book value less provisions held), the shortfall is debited to the Profit and Loss Account in the year of sale.

iii. If the sale is for a value higher than the NBV, the excess provision is written back in the year the amounts are received, as permitted by the RBI.

2. Investments:

The transactions in all securities are recorded on "Settlement Date".

2.1 Classification:

Investments are classified into three categories, viz. Held to Maturity (HTM), Available for Sale (AFS) and Held for Trading (HFT) as per RBI Guidelines

2.2 Basis of classification:

i. Investments that the Bank intends to hold till maturity are classified as "Held to Maturity (HTM)".

ii. Investments that are held principally for resale within 90 days from the date of purchase are classified as "Held for Trading (HFT)".

iii. Investments, which are not classified in the above two categories, are classified as "Available for Sale (AFS)".

iv. An investment is classified as HTM, HFT or AFS at the time of its purchase and subsequent shifting amongst categories is done in conformity with regulatory guidelines.

v. Investments in subsidiaries, joint ventures and associates are classified as HTM.

2.3 Valuation:

i. In determining the acquisition cost of an investment:

   (a) Brokerage/commission received on subscriptions is reduced from the cost.

   (b) Brokerage, Commission, Securities Transaction Tax (STT) etc., paid in connection with acquisition of investments are expensed upfront and excluded from cost.

   (c) Broken period interest paid / received on debt instruments is treated as interest expense/ income and is excluded from cost/ sale consideration.

   (d) Cost is determined on the weighted average cost method for investments under AFS and HFT category and on FIFO basis (first in first out) for investments under HTM category.

ii. Transfer of securities from HFT/AFS category to HTM category is carried out at the lower of acquisition cost/book value/market value on the date of transfer. The depreciation, if any, on such transfer is fully provided for. However, transfer of securities from HTM category to AFS category is carried out on acquisition price/book value. After transfer, these securities are immediately revalued and resultant depreciation, if any, is provided.

iii. Treasury Bills and Commercial Papers are valued at carrying cost.

iv. Held to Maturity category: a) Investments under Held to Maturity category are carried at acquisition cost unless it is more than the face value, in which case the premium is amortised over the period of remaining maturity on constant yield basis. Such amortisation of premium is adjusted against income under the head "interest on investments". b) Investments in subsidiaries, joint ventures and associates (both in India and abroad) are valued at historical cost. A provision is made for diminution, other than temporary, for each investment individually. c) Investments in Regional Rural Banks are valued at carrying cost (i.e. book value).

v. **Available for Sale and Held for Trading categories:** Investments held under AFS and HFT categories are individually revalued at the market price or fair value determined as per Regulatory guidelines, and only the net depreciation of each group for each category (viz. (i) Government securities (ii) Other Approved Securities (iii) Shares (iv) Bonds and Debentures (v) Subsidiaries and Joint Ventures; and (vi) others) is provided for and net appreciation, is ignored. On provision for depreciation, the book value of the individual security remains unchanged after marking to market.

vi. In case of sale of NPA (financial asset) to Securitisation Company (SC)/ Asset Reconstruction Company (ARC) against issue of Security Receipts (SR), investment in SR is recognised at lower of: (i) Net Book Value (NBV) (i.e. book value less provisions held) of the financial asset; and (ii) Redemption value of SR. SRs issued by an SC/ ARC are valued in accordance with the guidelines applicable to non- SLR instruments. Accordingly, in cases where the SRs issued by the SC/ ARC are limited to the actual realisation of the financial assets assigned to the instruments in the concerned scheme, the Net Asset Value, obtained from the SC/ ARC, is reckoned for valuation of such investments.

vii. Investments are classified as performing and non- performing, based on the guidelines issued by the RBI in the case of domestic offices and respective regulators in the case of foreign offices. Investments of domestic offices become non-performing where:

(a) Interest/ installment (including maturity proceeds) is due and remains unpaid for more than 90 days.

(b) In the case of equity shares, in the event the investment in the shares of any company is valued at ₹ 1 per company on account of the non availability of the latest balance sheet, those equity shares would be reckoned as NPI.

(c) If any credit facility availed by an entity is NPA in the books of the Bank, investment in any of the securities issued by the same entity would also be treated as NPI and vice versa.

(d) The above would apply mutatis-mutandis to Preference Shares where the fixed dividend is not paid.

(e) The investments in debentures/ bonds, which are deemed to be in the nature of advance, are also subjected to NPI norms as applicable to investments.

(f) In respect of foreign offices, provisions for NPIs are made as per the local regulations or as per the norms of RBI, whichever is more stringent.

viii. Accounting for Repo/ Reverse Repo transactions (other than transactions under the Liquidity Adjustment Facility (LAF) with the RBI):

(a) The securities sold and purchased under Repo/ Reverse Repo are accounted as Collateralized lending and borrowing transactions. However, securities are transferred as in the case of normal outright sale/ purchase transactions and such movement of securities is reflected using the Repo/ Reverse Repo Accounts and Contra entries. The above entries are reversed on the date of maturity. Costs and revenues are accounted as interest expenditure/ income, as the case may be. Balance in Repo Account is classified under Schedule 4 (Borrowings) and balance in Reverse Repo Account is classified under Schedule 7 (Balance with Banks and Money at Call & Short Notice).

(b) Interest expended/ earned on Securities purchased/ sold under LAF with RBI is accounted for as expenditure/ revenue.

ix. Market repurchase and reverse repurchase transactions as well as the transactions with RBI under Liquidity Adjustment Facility (LAF) are accounted for as Borrowings and Lending transactions in accordance with the extant RBI guidelines.

3. Loans/ Advances and Provisions thereon:

3.1 Loans and Advances are classified as performing and non-performing, based on the guidelines/ directives issued by the RBI. Loan Assets become Non-Performing Assets (NPAs) where:

i. In respect of term loans, interest and/ or instalment of principal remains overdue for a period of more than 90 days;

ii. In respect of Overdraft or Cash Credit advances, the account remains “out of order”, i.e. if the outstanding balance exceeds the sanctioned limit/ drawing power continuously for a period of 90 days, or if there are no credits continuously for 90 days as on the date of balance sheet, or if the credits are not adequate to cover the interest debited during the same period;

iii. In respect of bills purchased/ discounted, the bill remains overdue for a period of more than 90 days;

iv. In respect of agricultural advances: (a) for short duration crops, where the instalment of principal or interest remains overdue for two crop seasons; and (b) for long duration crops, where the principal or interest remains overdue for one crop season.

3.2 NPAs are classified into Sub-Standard, Doubtful and Loss Assets, based on the following criteria stipulated by RBI:

i. Sub-standard: A loan asset that has remained non- performing for a period less than or equal to 12 months.

ii. Doubtful: A loan asset that has remained in the sub- standard category for a period of 12 months.

iii. Loss: A loan asset where loss has been identified but the amount has not been fully written off.

3.3 Provisions are made for NPAs as per the extant guidelines prescribed by the regulatory authorities, subject to minimum provisions as prescribed below:

Substandard Assets:

i. A general provision of 15% on the total outstanding;

ii. Additional provision of 10% for exposures which are unsecured ab-initio (i.e. where realisable value of security is not more than 10 percent ab-initio);

iii. Unsecured Exposure in respect of infrastructure advances where certain safeguards such as escrow accounts are available - 20%.

Doubtful Assets:

- Secured portion:

i. Upto one year —	25%
ii. One to three years —	40%
iii. More than three years —	100%
- Unsecured portion	100%
Loss Assets:	100%

3.4 In respect of foreign offices, the classification of loans and advances and provisions for NPAs are made as per the local regulations or as per the norms of RBI, whichever is more stringent.

3.5 Advances are net of specific loan loss provisions, unrealised interest, ECGC claims received and bills rediscounted.

3.6 For restructured/ rescheduled assets, provisions are made in accordance with the guidelines issued by the RBI, which require that the difference between the fair value of the loans/ advances before and after restructuring is provided for, in addition to provision for the respective loans/ advances. The Provision for Diminution in Fair Value (DFV) and interest sacrifice, if any, arising out of the above, is reduced from advances.

3.7 In the case of loan accounts classified as NPAs, an account may be reclassified as a performing asset if it conforms to the guidelines prescribed by the regulators.

3.8 Amounts recovered against debts written off in earlier years are recognised as revenue in the year of recovery.

3.9 In addition to the specific provision on NPAs, general provisions are also made for standard assets as per extant RBI Guidelines. These provisions are reflected in Schedule 5 of the Balance Sheet under the head "Other Liabilities & Provisions — Others" and are not considered for arriving at the Net NPAs.

3.10 Appropriation of recoveries in NPAs (not out of fresh/ additional credit facilities sanctioned to the borrower concerned) towards principal or interest due as per the Bank's extant instructions is done in accordance with the following priority:

a. Charges

b. Unrealized Interest / Interest

c. Principal

4. Floating Provisions:

The Bank has a policy for creation and utilisation of floating provisions separately for advances, investments and general purposes. The quantum of floating provisions to be created is assessed at the end of the financial year. The floating provisions are utilised only for contingencies under extraordinary circumstances specified in the policy with prior permission of Reserve Bank of India.

5. Provision for Country Exposure:

In addition to the specific provisions held according to the asset classification status, provisions are also made for individual country exposures (other than the home country). Countries are categorised into seven risk categories, namely, insignificant, low, moderate, high, very high, restricted and off-credit and provisioning made as per extant RBI guidelines. If the country exposure (net) of the Bank in respect of each country does not exceed 1% of the total funded assets, no provision is maintained on such country exposures. The provision is reflected in Schedule 5 of the Balance Sheet under the head "Other liabilities & Provisions — Others".

6. Derivatives:

6.1 The Bank enters into derivative contracts, such as foreign currency options, interest rate swaps, currency swaps, cross currency interest rate swaps and forward rate agreements in order to hedge on-balance sheet/ offbalance sheet assets and liabilities or for trading purposes. The swap contracts entered to hedge on-balance sheet assets and liabilities are structured in such a way that they bear an opposite and offsetting impact with the underlying on-balance sheet items. The impact of such derivative instruments is correlated with the movement of the underlying assets and accounted in accordance with the principles of hedge accounting.

6.2 Derivative contracts classified as hedge are recorded on accrual basis. Hedge contracts are not marked to market unless the underlying assets/ liabilities are also marked to market.

6.3 Except as mentioned above, all other derivative contracts are marked to market as per the Generally Accepted Accounting Practices prevalent in the industry. In respect of derivative contracts that are marked to market, changes in the market value are recognised in the Profit and Loss Account in the period of change. Any receivable under derivative contracts, which remain overdue for more than 90 days, are reversed through Profit and Loss Account to "Suspense Account Crystallised Receivables". In cases where the derivative contracts provide for more settlement in future and if the derivative contract is not terminated on the overdue receivables remaining unpaid for 90 days, the positive MTM pertaining to future receivables is also reversed from Profit and Loss Account to "Suspense Account - Positive MTM".

6.4 Option premium paid or received is recorded in Profit and Loss Account at the expiry of the option. The balance in the premium received on options sold and premium paid on options bought is considered to arrive at Mark-to- Market value for forex Over-the-Counter (OTC) options.

6.5 Exchange Traded Derivatives entered into for trading purposes are valued at prevailing market rates based on rates given by the Exchange and the resultant gains and losses are recognized in the Profit and Loss Account.

7. Fixed Assets, Depreciation and Amortisation:

7.1 Fixed Assets are carried at cost less accumulated depreciation/ amortisation.

7.2 Cost includes cost of purchase and all expenditure such as site preparation, installation costs and professional fees incurred on the asset before it is put to use. Subsequent expenditure(s) incurred on the assets put to use are capitalised only when it increases the future benefits from such assets or their functioning capability.

7.3 The rates of depreciation and method of charging depreciation in respect of domestic operations are as under:

Sr. No.	Description of Fixed Assets	Method of charging depreciation	Depreciation/ amortisation rate
1.	Computers	Straight Line Method	33.33% every year
2.	Computer Software forming an integral part of the Computer hardware	Straight Line Method	33.33% every year
3.	Computer Software which does not form an integral part of Computer hardware and cost of Software Development	Straight Line Method	33.33% every year
4.	Automated Teller Machine/ Cash Deposit Machine/ Coin Dispenser/ Coin Vending Machine	Straight Line Method	20.00% every year
5.	Server	Straight Line Method	25.00% every year
6.	Network Equipment	Straight Line Method	20.00% every year
7.	Other fixed assets	Straight Line Method	On the basis of estimated useful life of the assets Estimated useful life of major group of Fixed Assets are as under: Premises 60 Years Vehicles 05Years Safe Deposit Lockers 20 Years Furniture & Fixtures 10 Years

7.4 In respect of assets acquired during the year (for domestic operations), depreciation is charged on proportionate basis for the number of days the assets have been put to use during the year.

7.5 Assets costing less than ₹ 1,000 each are charged off in the year of purchase.

7.6 In respect of leasehold premises, the lease premium, if any, is amortised over the period of lease and the lease rent is charged in the respective year(s).

7.7 In respect of assets given on lease by the Bank on or before 31st March, 2001, the value of the assets given on lease is disclosed as Leased Assets under Fixed Assets, and the difference between the annual lease charge (capital recovery) and the depreciation is taken to Lease Equalisation Account.

7.8 In respect of fixed assets held at foreign offices, depreciation is provided as per the regulations / norms of the respective countries.

7.9 The Bank considers only immovable assets for revaluation. Properties acquired during the last three years are not revalued. Valuation of the revalued assets is done at every three years thereafter.

7.10 The increase in Net Book Value of the asset due to revaluation is credited to the Revaluation Reserve Account without routing through the profit and loss statement. The depreciation provided on the increase in the Net Book Value is recouped from Revaluation Reserve.

7.11 The Revalued Assets is depreciated over the balance useful life of the asset as assessed at the time of revaluation.

8. Leases:

The asset classification and provisioning norms applicable to advances, as laid down in Para 3 above, are applied to financial leases also.

9. Impairment of Assets:

Fixed Assets are reviewed for impairment whenever events or changes in circumstances warrant that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future Net Discounted Cash Flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognised is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

10. Effect of changes in the foreign exchange rate:

10.1 Foreign Currency Transactions

i. Foreign currency transactions are recorded on initial recognition in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency on the date of transaction.

ii. Foreign currency monetary items are reported using the Foreign Exchange Dealers Association of India (FEDAI) closing (spot/ forward) rates.

iii. Foreign currency non-monetary items, which are carried at historical cost, are reported using the exchange rate on the date of the transaction.

iv. Contingent liabilities denominated in foreign currency are reported using the FEDAI closing spot rates.

v. Outstanding foreign exchange spot and forward contracts held for trading are revalued at the exchange rates notified by FEDAI for specified maturities, and the resulting Profit or Loss is recognised in the Profit and Loss account.

vi. Foreign exchange forward contracts which are not intended for trading and are outstanding on the Balance Sheet date, are re-valued at the closing spot rate. The premium or discount arising at the inception of such forward exchange contract is amortised as expense or income over the life of the contract.

vii. Exchange differences arising on the settlement of monetary items at rates different from those at which they were initially recorded are recognised as income or as expense in the period in which they arise.

viii. Gains/ Losses on account of changes in exchange rates of open position in currency futures trades are settled with the exchange clearing house on daily basis and such gains/ losses are recognised in the Profit and Loss Account.

10.2 Foreign Operations:

Foreign Branches of the Bank and Offshore Banking Units (OBU) have been classified as Non-integral Operations and Representative Offices have been classified as Integral Operations.

a. Non-integral Operations:

i. Both monetary and non-monetary foreign currency assets and liabilities including contingent liabilities of non-integral foreign operations are translated at closing exchange rates notified by FEDAI at the Balance Sheet date.

ii. Income and expenditure of non-integral foreign operations are translated at quarterly average closing rates notified by FEDAI.

iii. Exchange differences arising on investment in non-integral foreign operations are accumulated in Foreign Currency Translation Reserve until the disposal of the investment.

iv. The Assets and Liabilities of foreign offices in foreign currency (other than local currency of the foreign offices) are translated into local currency using spot rates applicable to that country on the Balance Sheet date.

b. Integral Operations:

i. Foreign currency transactions are recorded on initial recognition in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency on the date of transaction.

ii. Monetary foreign currency assets and liabilities of integral foreign operations are translated at closing (Spot/ Forward) exchange rates notified by FEDAI at the Balance Sheet date and the resulting Profit/ Loss is included in the Profit and Loss Account. Contingent Liabilities are translated at Spot rate.

iii. Foreign currency non-monetary items which are carried at historical cost are reported using the exchange rate on the date of the transaction.

11. Employee Benefits:

11.1 Short Term Employee Benefits:

The undiscounted amounts of short-term employee benefits, such as medical benefits which are expected to be paid in exchange for the services rendered by employees, are recognised during the period when the employee renders the service.

11.2 Long Term Employee Benefits:

i. Defined Benefit Plans:

a. The Bank operates a Provident Fund scheme. All eligible employees are entitled to receive benefits under the Bank's Provident Fund scheme. The Bank contributes monthly at a determined rate (currently 10% of employee's basic pay plus eligible allowance). These contributions are remitted to a Trust established for this purpose and are charged to Profit and Loss Account. The Bank recognizes such annual contributions as an expense in the year to which it relates. Shortfall, if any, is provided for on the basis of actuarial valuation.

b. The Bank operates Gratuity and Pension schemes which are defined benefit plans.

   i) The Bank provides for gratuity to all eligible employees. The benefit is in the form of lump sum payments to vested employees on retirement, or on death while in employment, or on termination of employment, for an amount equivalent to 15 days basic salary payable for each completed year of service, subject to the cap prescribed by the Statutory Authorities. Vesting occurs upon completion of five years of service. The Bank makes periodic contributions to a fund administered by Trustees based on an independent external actuarial valuation carried out annually.

   ii) The Bank provides for pension to all eligible employees. The benefit is in the form of monthly payments as per rules to vested employees on retirement or on death while in employment, or on termination of employment. Vesting occurs at differentstagesasperrules. The Bankmakesmonthly contribution to the Pension Fund at 10% of salary in terms of SBI Pension Fund Rules. The pension liability is reckoned based on an independent actuarial valuation carried out annually and Bank makes such additional contributions periodically to the Fund as may be required to secure payment of the benefits under the pension regulations.

c. The cost of providing defined benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains/ losses are immediately recognised in the Profit and Loss Account and are not deferred.

ii. Defined Contribution Plan:

The Bank operates a New Pension Scheme (NPS) for all officers/ employees joining the Bank on or after 1st August, 2010, which is a defined contribution plan, such new joinees not being entitled to become members of the existing SBI Pension Scheme. As per the scheme, the covered employees contribute 10% of their basic pay plus dearness allowance to the scheme together with a matching contribution from the Bank. Pending completion of registration procedures of the employees concerned, these contributions are retained as deposits in the Bank and earn interest at the same rate as that of the current account of Provident Fund balance. The Bank recognizes such annual contributions and interest as an expense in the year to which they relate. Upon receipt of the Permanent Retirement Account Number (PRAN), the consolidated contribution amounts are transferred to the NPS Trust.

iii. Other Long Term Employee benefits:

a. All eligible employees of the Bank are eligible for compensated absences, silver jubilee award, leave travel concession, retirement award and resettlement allowance. The costs of such long term employee benefits are internally funded by the Bank.

b. The cost of providing other long term benefits is determined using the projected unit credit method with actuarial valuations being carried out at each Balance Sheet date. Past service cost is immediately recognised in the Profit and Loss Account and is not deferred.

11.3 Employee benefits relating to employees employed at foreign offices are valued and accounted for as per the respective local laws/ regulations.

12. Taxes on income:

Income tax expense is the aggregate amount of current tax and deferred tax expense incurred by the Bank. The current tax expense and deferred tax expense are determined in accordance with the provisions of the Income Tax Act, 1961 and as per Accounting Standard 22 — "Accounting for Taxes on Income" respectively after taking into account taxes paid at the foreign offices, which are based on the tax laws of respective jurisdictions. Deferred Tax adjustments comprises of changes in the deferred tax assets or liabilities during the year. Deferred tax assets and liabilities are recognised by considering the impact of timing differences between taxable income and accounting income for the current year, and carry forward losses. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. The impact of changes in deferred tax assets and liabilities is recognised in the profit and loss account. Deferred tax assets are recognised and re-assessed at each reporting date, based upon management's judgment as to whether their realisation is considered as reasonably certain. Deferred Tax Assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future profits.

13. Earnings per Share:

13.1 The Bank reports basic and diluted earnings per share in accordance with AS 20 —"Earnings per Share" issued by the ICAI. Basic Earnings per Share are computed by dividing the Net Profit after Tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding for the year.

13.2 Diluted Earnings per Share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted Earnings per Share are computed using the weighted average number of equity shares and dilutive potential equity shares outstanding at year end.

14. Provisions, Contingent Liabilities and Contingent Assets:

14.1 In conformity with AS 29, "Provisions, Contingent Liabilities and Contingent Assets", issued by the Institute of Chartered Accountants of India, the Bank recognises provisions only when it has a present obligation as a result of a past event, and would result in a probable outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made.

14.2 No provision is recognised for:

i. any possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank; or

ii. any present obligation that arises from past events but is not recognised because:

a. it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

b. a reliable estimate of the amount of obligation cannot be made.

Such obligations are recorded as Contingent Liabilities. These are assessed at regular intervals and only that part of the obligation for which an outflow of resources embodying economic benefits is probable, is provided for, except in the extremely rare circumstances where no reliable estimate can be made.

14.3 Provision for reward points in relation to the debit card holders of the Bank is being provided for on actuarial estimates.

14.4 Contingent Assets are not recognised in the financial statements.

15. Bullion Transactions:

The Bank imports bullion including precious metal bars on a consignment basis for selling to its customers. The imports are typically on a back-to-back basis and are priced to the customer based on price quoted by the supplier. The Bank earns a fee on such bullion transactions. The fee is classified under commission income. The Bank also accepts deposits and lends gold, which is treated as deposits/ advances as the case may be with the interest paid/ received classified as interest expense/ income. Gold Deposits, Metal Loan Advances and closing Gold Balances are valued at available Market Rate as on the date of Balance Sheet.

16. Special Reserves:

Revenue and other Reserve include Special Reserve created under Section 36(i)(viii) of the Income Tax Act, 1961. The Board of Directors of the Bank have passed a resolution approving creation of the reserve and confirming that it has no intention to make withdrawal from the Special Reserve.

17. Share Issue Expenses:

Share issue expenses are charged to the Share Premium Account.

Schedule 18

NOTES TO ACCOUNTS

18.1 Capital

1. Capital Ratio

(Amount in ₹ crore)

AS PER BASEL II

Sr. No.	Items	As at 31st March, 2018	As at 31st March, 2017
(i)	Common Equity Tier 1 Capital Ratio (%)	N.A.	
(ii)	Tier 1 Capital Ratio (%)	10.02%	10.27%
(iii)	Tier 2 Capital Ratio (%)	2.72%	3.29%
(iv)	Total Capital Ratio (%)	12.74%	13.56%

AS PER BASEL III

Sr. No.	Items	As at 31st March, 2018	As at 31st March, 2017
(i)	Common Equity Tier 1 Capital Ratio (%)	9.68%	9.82%
(ii)	Tier 1 Capital Ratio (%)	10.36%	10.35%
(iii)	Tier 2 Capital Ratio (%)	2.24%	2.76%
(iv)	Total Capital Ratio (%)	12.60%	13.11%
(v)	Percentage of the Shareholding of Government of India	58.03%	61.23%
(vi)	Number of Shares held by Government of India	517,89,88,645	488,23,62,052
(vii)	Amount of Equity Capital raised	23,813.69	5,681.00
(viii)	Amount of Additional Tier 1(AT 1) capital raised of which		
	a) PNCPSv:	Nil	Nil
	b) PDI:	2,000.00	9,045.50
(ix)	Amount of Tier 2 capital raised of which		
	a) Debt Capital Instruments:	Nil	Nil
	b) Preference Share Capital Instruments: {Perpetual Cumulative Preference Shares (PCPS)/Redeemable Non-Cumulative Preference Shares (RNCPS)/Redeemable Cumulative Preference Shares (RCPS)}	Nil	Nil

a) RBI vide circular No. DBR.No.BP.BC.83/21.06.201/2015-16 dated 1st March, 2016, has given discretion to banks to consider Revaluation Reserve, Foreign Currency Translation Reserve and Deferred Tax Asset for purposes of computation of Capital Adequacy as CET— 1 capital ratio. The Bank has exercised the option in the above computation.

b) Further, in compliance with the RBI instructions, the Bank has reversed the effect of revaluation reserve of Bank's leasehold properties amounting to ₹11,210.94 crore made in previous year. Consequential effect in computation of CET — 1 capital ratio has been made as on 31st March, 2018.

2. Share Capital

a) During the year, on acquisition of associate banks (ABs) and BMBL, the Bank has issued equity shares to the eligible shareholders of erstwhile State Bank of Bikaner and Jaipur (SBBJ), State Bank of Mysore (SBM), State Bank of Travancore (SBT) and Bharatiya Mahila Bank Ltd (BMBL) as per the swap ratio decided by Government of India. Accordingly, the Bank has issued 136,352,740 equity shares of face value of ₹ 1 each as consideration (4,88,54,308 shares to shareholders of SBBJ, 10,558,379 shares to the shareholders of SBM, 32,708,543 shares to the shareholders of SBT and 44,231,510 shares to Government of India as shareholder of BMBL) on 01.04.2017.

b) The Bank received application money of ₹ 15,000.00 crore including share premium of ₹14,947.78 crore by way of Qualified Institutional Placement (QIP) against issue of 5,221,93,211 equity shares of ₹ 1 each. The equity shares were allotted on 12.06.2017.

c) The Bank received application money of ₹ 0.05 crore including share premium of ₹ 0.05 crore by way of the issue of 3,400 equity shares of ₹ 1 each kept in abeyance. The equity shares kept in abeyance were allotted on 01.11.2017.

d) The Bank received application money of ₹ 8,800.00 crore (Previous Year ₹ 5,681.00 crore) including share premium amount of ₹ 8,770.75 crore (Previous Year ₹ 5,659.93 crore) from Government of India against Preferential Issue of 292,533,741 equity shares (Previous Year 210,727,400) of ₹ 1 each to Government of India. The equity shares were allotted on 27.03.2018. These shares were credited to demat account (CDSL) of Government of India on 03.04.2018 and listed at NSE on 02.04.2018 and BSE on 03.04.2018. 121

e) Expenses in relation to the issue of shares: ₹ 17.60 crore (Previous Year ₹ 6.17 crore) is debited to Share Premium Account.

3. Innovative Perpetual Debt Instruments (IPDI)

The details of IPDI issued which qualify for Hybrid Tier I Capital and outstanding are as under:

A. Foreign

(₹ in crore)

Particulars	Date of Issue	Tenor	Amount	Equivalent ₹ as on 31st March, 2018	Equivalent ₹ as on 31st March, 2017
Bond issued under the MTN Programme - 12th series *	15.02.2007	Perpetual Non call 10.25 years	US$400 million	—	2,594.00
Bond issued under the MTN Programme - 14th series#	26.06.2007	Perpetual Non call 10 yrs 1day	US$225 million	—	1,459.13
Additional Tier 1 (AT1) Bond issued under MTN Programme 29th series	22.09.2016	Perpetual Non Call 5 years	US$300 million	1,955.25	1,945.50
Total				**1,955.25**	**5,998.63**

* Bank exercised call option on 15.05.2017

\# Bank exercised call option on 27.06.2017

These bonds have been listed in Singapore stock exchange (SGX — Bonds Board).

B. Domestic

(₹ in crore)

Sr. No.	Nature of Bonds	Principal Amount	Date of Issue	Rate of Interest % p.a.
1.	SBI Non Convertible Perpetual Bonds 2009-10 (Tier I) Series I	1,000.00	14.08.2009	9.10
2.	e-SBM Tier -I	100.00	25.11.2009	9.10
3.	e-SBP Tier -I Series I	300.00	18.01.2010	9.15
4.	SBI Non Convertible Perpetual Bonds 2009-10 (Tier I) Series II	1,000.00	27.01.2010	9.05
5.	e-SBH Tier -I Series XII	135.00	24.02.2010	9.20
6.	e-SBH Tier -I Series XIII	200.00	20.09.2010	9.05
7.	SBI Non Convertible Perpetual Bonds 2016 Unsecured Basel III AT 1	2,100.00	06.09.2016	9.00
8.	SBI Non Convertible Perpetual Bonds 2016 Unsecured Basel III AT 1 Series II	2,500.00	27.09.2016	8.75
9.	SBI Non Convertible Perpetual Bonds 2016 Unsecured Basel III AT 1 Series III	2,500.00	25.10.2016	8.39
10.	SBI Non Convertible Perpetual Bonds Unsecured Basel III AT 1 Series IV	2,000.00	02.08.2017	8.15
	TOTAL	**11,835.00***		

* Includes ₹ 2,000 crore raised during the F.Y. 2009-10, of which ₹ 550 crore invested by SBI Employee Pension Fund, not reckoned for the purpose of Tier I Capital as per RBI instructions.

4. Subordinated Debts

The bonds are unsecured, long term, non—convertible and are redeemable at par. The details of outstanding subordinate debts are as under:-

(₹ in crore)

Sr. No.	Nature of Bonds	Principal Amount	Date of Issue /Date of Redemption	Rate of Interest % P.A.	Maturity Period In Months
1	SBI Non Convertible (Private placement) Bonds 2008-09 (IV) (Lower Tier II)	1,000.00	06.03.2009 06.06.2018	8.95	111
2	SBI Non Convertible (Private placement) Bonds 2008-09(II) (Lower Tier II)	1,500.00	29.12.2008 29.06.2018	8.40	114
3	e-SBBJ Lower Tier II (Series VI)	500.00	20.03.2012 20.03.2022	9.02	120
4	SBI Non Convertible (Private placement) Bonds 2008-09 (I) (Upper Tier II)	2,500.00	19.12.2008 19.12.2023	8.90	180
5	SBI Non Convertible (Private placement) Bonds 2013-14 (Tier II)	2,000.00	02.01.2014 02.01.2024	9.69	120
6	SBI Non Convertible (Private placement) Bonds 2008-09 (III) (Upper Tier II)	2,000.00	02.03.2009 02.03.2024	9.15	180
7	SBI Non Convertible (Private placement) Bonds 2008-09 (V) (Upper Tier II)	1,000.00	06.03.2009 06.03.2024	9.15	180
8	e-SBP Upper Tier II (Series VI)	150.00	13.03.2009 13.03.2024	9.15	180
9	SBI Non Convertible (Private placement) Bonds 2004-05 SBIN (SERIES VII) (Upper Tier II)	250.00	24.03.2009 24.03.2024	9.17	180
10	e-SBH Upper Tier II (Series IX)	325.00	05.06.2009 05.06.2024	8.39	180
11	e-SBH Upper Tier II (Series X)	450.00	21.08.2009 21.08.2024	8.50	180
12	e-SBH Upper Tier II (Series XI)	475.00	08.09.2009 08.09.2024	8.60	180
13	e-SBM Tier II Basel III compliant	500.00	17.12.2014 17.12.2024	8.55	120
14	e-SBP Tier II. Basel III compliant (Series I)	950.00	22.01.2015 22.01.2025	8.29	120
15	e-SBBJ Tier II. Basel III compliant	200.00	20.03.2015 20.03.2025	8.30	120
16	e-SBH Tier II Basel III compliant (Series XIV)	393.00	31.03.2015 31.03.2025	8.32	120

Sr. No.	Nature of Bonds	Principal Amount	Date of Issue /Date of Redemption	Rate of Interest % P.A.	Maturity Period In Months
17	SBI Non Convertible (Public issue) Bonds 2010 (Series II) (Lower Tier II)	866.92	04.11.2010 04.11.2025	9.50	180
18	SBI Non Convertible, Unsecured (Private Placement), Basel III compliant Tier II Bonds 2015-16 (Series I)	4,000.00	23.12.2015 23.12.2025	8.33	120
19	e-SBH Tier II Basel III compliant (Series XV)	500.00	30.12.2015 30.12.2025	8.40	120
20	e-SBM Tier II Basel III compliant	300.00	31.12.2015 31.12.2025	8.40	120
21	e-SBM Tier II Basel III compliant	200.00	18.01.2016 18.01.2026	8.45	120
22	e-SBH Tier II Basel III compliant (Series XVI)	200.00	08.02.2016 08.02.2026	8.45	120
23	SBI Non Convertible, Unsecured (Private Placement), Basel III compliant Tier 2 Bonds 2015-16 (Series II)	3,000.00	18.02.2016 18.02.2026	8.45	120
24	SBI Non Convertible (Public issue) Bonds 2011 Retail (Series IV) (Lower Tier II)	3,937.60	16.03.2011 16.03.2026	9.95	180
25	SBI Non Convertible (Public issue) Bonds 2011 Non Retail (Series IV) (Lower Tier II)	828.32	16.03.2011 16.03.2026	9.45	180
26	SBI Non Convertible, Unsecured (Private Placement), Basel III compliant Tier II Bonds 2015-16 (Series III)	3,000.00	18.03.2016 18.03.2026	8.45	120
27	SBI Non Convertible, Unsecured (Private Placement), Basel III compliant Tier II Bonds 2015-16 (Series IV)	500.00	21.03.2016 21.03.2026	8.45	120
28	e-SBT Tier II. Basel III compliant (Series I)	515.00	30.03.2016 30.03.2026	8.45	120
29	e-SBT Upper Tier II (Series III)	500.00	26.03.2012 26.03.2027	9.25	180
	TOTAL	**32,540.84**			

18.2. Investments

1. The Details of investments and the movement of provisions held towards depreciation on investments of the Bank are given below:

(₹ in crore)

Particulars				As at 31st March, 2018	As at 31st March, 2017
1.	Value of Investments				
	i)	Gross value of Investments			
		(a)	In India	1,026,438.37	725,421.42
		(b)	Outside India	46,658.94	41,815.77
	ii)	Provision for Depreciation			
		(a)	In India	9,698.21	557.72
		(b)	Outside India	508.24	85.04
	iii)	Liability on Interest Capitalised on Restructured Accounts (LICRA)		1,904.15	604.80
	iv)	Net value of Investments			
		(a)	In India	1,014,836.01	724,258.90
		(b)	Outside India	46,150.70	41,730.73
2.	Movement in provisions held towards depreciation on investments				
	i)	Balance at the beginning of the year		642.76	354.10
	ii)	Add: Provisions made during the year including receipt from erstwhile ABs and BMBL on acquisition		9,959.55	552.48
	iii)	Less: Provision utilised during the year		16.51	—
	iv)	Less/(Add): Foreign Exchange revaluation adjustment		(5.65)	9.73
	v)	Less: Write off/Write back of excess provision during the year		385.00	254.09
	vi)	Balance at the end of the year		10,206.45	642.76

Notes:

a. Securities amounting to ₹ 40,992.04 crore (Previous Year ₹ 18,676.03 crore) are kept as margin with Clearing Corporation of India Limited (CCIL)/ NSCCL/MCX/ NSEIL/ BSE towards Securities Settlement.

b. During the year, the Bank infused additional capital in its subsidiaries and associates viz. i) SBI Foundation ₹3.00 crore, ii) Nepal SBI Bank Ltd. ₹68.47 crore and after infusion there is no change in Bank's stake. Further, the Bank has increased its stake in SBI Cards & Payments Services Private Ltd. from 60% to 74% (purchased 109,899,999 shares of ₹10 per share by investing ₹887.26 crore) and in GE Capital Business Process Management Ltd. from 40% to 74% (purchased 8,024,342 shares of ₹ 10 per share by investing ₹ 264.07 crore).

c. During the year, the Bank has sold its stake in the following subsidiaries & associates:

— 80,000,000 equity shares of SBI Life Insurance Company Ltd. at a profit of ₹5,436.17 crore. Thus the Bank's stake has reduced from 70.10% to 62.10%.

— 2,200,000 equity shares of The Clearing Corporation of India Ltd. at a profit of ₹ 140.80 crore. Thus the Bank stake has reduced from 21.20% to 16.80%.

— 19,11,974 equity shares of SBI DFHI Ltd. in a buy back offer at a profit of ₹ 62.93 crore and there is no change in stake holding after buy back offer.

d. Post-acquisition of erstwhile domestic banking subsidiaries (DBS), following RRBs of the erstwhile DBS have become RRBs of the Bank:

— Kaveri Grameena Bank

— Malwa Gramin Bank

— Rajasthan Marudhara Gramin Bank

— Telangana Grameena Bank

2. RBI Circular DBR.No.BP.BC.102/21.04.048/2017-18 dated April 2, 2018 grants banks an option to spread provisioning on mark to market losses on investments held in AFS and HFT for the quarters ended December 31, 2017 and March 31, 2018. The circular states that the provisioning for each of these quarters may be spread equally over up to four quarters, commencing with the quarter in which the loss was incurred. The Bank has recognized the entire net mark to market loss on investments in the respective quarters and has not availed the said option.

3. Repo Transactions including Liquidity Adjustment Facility (LAF) (in face value terms)

The details of securities sold and purchased under repos and reverse repos including LAF during the year are given below:

(₹ in crore)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Balance as on 31st March 2018
Securities sold under Repos				
i. Government Securities . . .	—	94,252.00	11,859.64	94,252.00
	(—)	(99,581.36)	(6,673.82)	(74,235.72)
ii. Corporate Debt Securities .	—	7,614.78	1,849.22	7,613.71
	(2,106.15)	(7,251.52)	(3,779.10)	(2,786.85)
Securities purchased under Reverse Repos				
i. Government Securities . . .	—	83,636.62	26,858.19	138.94
	(55.40)	(1,02,342.25)	(21,178.52)	(6,055.45)
ii. Corporate Debt Securities .	—	581.22	573.73	574.07
	(571.45)	(590.18)	(581.28)	(573.39)

(Figures in brackets are for Previous Year)

4. Non-SLR Investment Portfolio

a) Issuer composition of Non SLR Investments

The issuer composition of Non-SLR investments of the Bank is given below:

(₹ in crore)

Sr. No.	Issuer	Amount	Extent of Private Placement	Extent of "Below Investment Grade" Securities *	Extent of "Unrated" Securities *	Extent of "Unlisted" Securities *
i	PSUs.	49,524.49	25,424.36	414.14	—	—
		(47,224.95)	(34,926.02)	(836.32)	(462.77)	(762.76)
ii	FIs	72,183.66	66,780.93	—	—	250.00
		(58,179.05)	(49,893.49)	(—)	(—)	(200.00)
iii	Banks	16,540.91	1,927.73	1,988.79	23.62	23.62
		(21,201.42)	(8,494.71)	(1,331.60)	(23.62)	(2,373.63)
iv	Private Corporates.	48,275.25	36,182.49	528.49	481.94	24.70
		(35,054.91)	(23,111.85)	(1,156.49)	(658.82)	(164.21)
v	Subsidiaries /Joint Ventures **	7,793.06	—	—	—	—
		(14,010.07)	(—)	(—)	(—)	(—)
vi	Others	24,304.13	—	991.02	60.07	—
		(16,328.08)	(—)	(974.89)	(848.03)	(—)
vii	Less: Provision held towards depreciation including LICRA	6,030.63	—	—	—	—
		(1,247.56)	(—)	(-0.92)	(—)	(—)
	Total	**212,590.87**	**130,315.51**	**3,922.44**	**565.63**	**298.32**
		(190,750.92)	**(116,426.07)**	**(4,300.22)**	**(1,993.24)**	**(3,500.60)**

(Figures in brackets are for Previous Year)

* Investments in Equity, Equity Oriented Mutual Funds, Venture Capital, Rated Assets Backed Securities, Central and State Government Securities and ARCIL are not segregated under these categories as these are exempt from rating/listing guidelines.

** Investments in Subsidiaries/Joint Ventures have not been segregated into various categories as these are not covered under relevant RBI Guidelines.

b) Non Performing Non-SLR Investments

(₹ in crore)

Particulars	Current Year	Previous Year
Opening Balance	447.54	146.24
Additions during the year including receipt from erstwhile ABs and BMBL on acquisition.	4,250.77	348.37
Reductions during the year	103.06	47.07
Closing balance	4,595.25	447.54
Total provisions held	**2,452.30**	**227.85**

5. Sales And Transfers Of Securities To/From HTM Category

The value of sales and transfers of securities to/from HTM Category does not exceed 5% of the book value of investment held in HTM category at the beginning of the year.

6. Disclosure of Investment in Security Receipts (SRs)

(₹ in crore)

Particulars	SRs Issued within Past 5 Years	SRs issued more than 5 years ago but within past 8 Years	SRs issued more than 8 Years ago	Total
i. Book value of SRs Backed by NPAs sold by the bank as underlying	10,447.81	—	41.72	10,489.53
Provision held against (i)	125.30	—	41.72	167.02
ii. Book value of SRs Backed by NPAs sold by Other banks / financial institutions / non- banking Financial companies as Underlying	12.15	4.26	—	16.41
Provision held against (ii)	—	—	—	—
Total (i) + (ii)	10,459.96	4.26	41.72	10,505.94

7. Details of Investments in Security Receipts against NPAs sold to Securitisation Company (SC) / Reconstruction Company (RC)

(₹ in crore)

Particulars	Backed by NPAs sold by the bank as underlying		Backed by the NPAs sold by other banks/ financial institutions / non-banking financial companies as underlying		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Book Value of Investments in Security Receipts as on 31st March, 2018	10,489.53	5,544.08	16.41	22.65	10,505.94	5,566.73
Book Value of Investments in Security Receipts made during the year	5,214.56	281.89	—	—	5,214.56	281.89

18.3. Derivatives

A. Forward Rate Agreements (FRA) / Interest Rate Swaps (IRS)

(₹ in crore)

Sr No	Particulars	As at 31st March, 2018	As at 31st March, 2017
i)	The notional principal of swap agreements#	360,705.72	142,250.44
ii)	Losses which would be incurred if counterparties failed to fulfil their obligations under the agreements	904.42	835.56
iii)	Collateral required by the Bank upon entering into swaps	Nil	Nil
iv)	Concentration of credit risk arising from the swaps	Not significant	Not significant
v)	The fair value of the swap book	(-)555.68	51.70

IRS/FRA amounting to ₹2,988.82 crore (Previous Year ₹9,299.54 crore) entered with the Bank's own foreign offices are not shown here as they are for hedging of FCNB corpus and hence not marked to market. 127

Nature and terms of forward rate agreements and interest rate swaps as on 31st March, 2018 are given below:

(₹ in crore)

Instrument	Nature	Nos	Notional Principal	Benchmark	Terms
IRS	Hedging	261	10,714.00	LIBOR	Fixed Receivable Vs Floating Payable
IRS	Hedging	113	1,534.88	OTHERS	Fixed Receivable Vs Pay Float
IRS	Hedging	65	34,194.87	LIBOR	Fixed Receivable / Floating Payable
IRS	Hedging	30	2,688.53	LIBOR	Floating Receivable / Fixed Payable
IRS	Trading	143	26,403.00	LIBOR	Fixed Payable Vs Floating Receivable
IRS	Trading	151	27,320.00	LIBOR	Floating Payable Vs Fixed Receivable
IRS	Trading	1789	120,068.00	MIBOR	Fixed Payable Vs Floating Receivable
IRS	Trading	1900	122,473.92	MIBOR	Floating Payable Vs Fixed Receivable
IRS	Trading	41	1,525.00	MIFOR	Fixed Payable Vs Floating Receivable
IRS	Trading	40	1,475.00	MIFOR	Floating Payable Vs Fixed Receivable
IRS	Trading	38	7,823.41	LIBOR	Fixed Receivable / Floating Payable
IRS	Trading	35	4,485.11	LIBOR	Floating Receivable / Fixed Payable
	Total		**360,705.72**		

B. Exchange Traded Interest Rate Derivatives

(₹ in crore)

Sr. No	Particulars	Current Year	Previous Year
1	Notional principal amount of exchange traded interest rate derivatives undertaken during the year		
	a. Interest Rate Futures	Nil	Nil
	b. 10 Year Government of India Securities.	54,611.66	7,819.64
2	Notional principal amount of exchange traded interest rate derivatives outstanding as on 31st March 2018		
	a. Interest Rate Futures	Nil	Nil
	b. 10 Year Government of India Securities.	Nil	538.76
3	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective".	N.A.	N.A.
4	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective".	N.A.	N.A.

C. Risk Exposure in Derivatives

(A) Qualitative Risk Exposure

i. The Bank currently deals in over-the-counter (OTC) interest rate and currency derivatives as also in Interest Rate Futures and Exchange Traded Currency Derivatives. Interest Rate Derivatives dealt by the Bank are rupee interest rate swaps, foreign currency interest rate swaps and forward rate agreements, cap, floor and collars. Currency derivatives dealt by the Bank are currency swaps, rupee dollar options and cross-currency options. The products are offered to the Bank's customers to hedge their exposures and the Bank also enters into derivatives contracts to cover off such exposures. Derivatives are used by the Bank both for trading as well as hedging balance sheet items. The Bank also runs option position in US$/ INR, which is managed through various types of loss limits and Greek limits.

ii. Derivative transactions carry market risk i.e. the probable loss the Bank may incur as a result of adverse movements in interest rates/exchange rates and credit risk i.e. the probable loss the Bank may incur if the counterparties fail to meet their obligations. The Bank's "Policy for Derivatives" approved by the Board prescribes the market risk parameters (Greek limits, Loss Limits, cut-loss triggers, open position limits, duration, modified duration, PV01 etc.) as well as customer eligibility criteria (credit rating, tenure of relationship, limits and customer appropriateness and suitability of policy (CAS) etc.) for entering into derivative transactions. Credit risk is controlled by entering into derivative transactions only with counterparties satisfying the criteria prescribed in the Policy. Appropriate limits are set for the counterparties taking into account their ability to honour obligations and the Bank enters into ISDA agreement with each counterparty.

iii. The Asset Liability Management Committee (ALCO) of the Bank oversees efficient management of these risks. The Bank's Market Risk Management Department (MRMD) identifies, measures, monitors market risk associated with derivative transactions, assists ALCO in controlling and managing these risks and reports compliance with policy prescriptions to the Risk Management Committee of the Board (RMCB) at regular intervals.

iv. The accounting policy for derivatives has been drawn-up in accordance with RBI guidelines, the details of which are presented under Schedule 17: Significant Accounting Policies (SAP) for the financial year 2017-18.

v. Interest Rate Swaps are mainly used at Foreign Offices for hedging of the assets and liabilities.

vi. Apart from hedging swaps, swaps at Foreign Offices consist of back to back swaps done at our Foreign Offices which are done mainly for hedging of FCNR deposits at Global Markets, Kolkata.

vii. Majority of the swaps were done with First class counterparty banks.

viii. Derivative transactions comprise of swaps which are disclosed as contingent liabilities. The swaps are categorised as trading or hedging.

ix. Derivative deals are entered into with only those interbank participants for whom counterparty exposure limits are sanctioned. Similarly, derivative deals entered into with only those corporates for whom credit exposure limit is sanctioned. Collateral requirements for derivative transactions are laid down as a part of credit sanction terms on a case by case basis. Such collateral requirements are determined based on usual credit appraisal process. The Bank retains the right to terminate transactions as a risk mitigation measure in certain cases.

(B) Quantitative Risk Exposure

(₹ in crore)

Particulars	Currency Derivatives		Interest Rate Derivatives	
	Current Year	Previous Year	Current Year	Previous Year
(I) Derivatives (Notional Principal Amount)				
(a) For hedging	20,605.24@	6,968.86@	49,193.30#	53,721.17#
(b) For trading *	616,447.95	202,472.85	311,512.42	88,529.27
(II) Marked to Market Positions				
(a) Asset	5,716.35	4,675.49	592.99	574.79
(b) Liability	5,218.09	1,285.33	1,152.54	565.10
(III) Credit Exposure	21,749.61	7,428.09	4,160.44	2,286.34
(IV) Likely impact of one percentage change in interest rate (100* PV01)				
(a) on hedging derivatives	-0.14	-0.25	-3.14	-7.60
(b) on trading derivatives	0.98	0.97	11.62	46.52
(V) Maximum and Minimum of 100* PV 01 observed during the year				
(a) on hedging -				
Maximum	—	—	2.81	2.87
Minimum	-0.04	-0.04	—	-0.64
(b) on trading -				
Maximum	1.18	1.03	0.76	0.77
Minimum	—	0.04	—	-0.11

@ The swaps amounting to ₹2,870.26 crore (Previous Year ₹4,988.14 crore) entered with the Bank's own foreign offices are not shown here as they are for hedging of FCNB corpus and hence not marked to market.

IRS/FRA amounting to ₹2,988.82 crore (Previous Year ₹9,299.54 crore) entered with the Bank's own Foreign offices are not shown here as they are for hedging of FCNB corpus and hence not marked to market.

* The forward contract deals with our own Foreign Offices are not included. Currency Derivatives ₹ Nil (Previous Year ₹ Nil) and Interest Rate Derivatives ₹ Nil (Previous Year ₹ Nil)

1. The outstanding notional amount of derivatives done between Global Markets Unit and International Banking Group as on 31st March, 2018 amounted to ₹ 5,859.08 crore (Previous Year ₹ 7,571.57 crore) and the derivatives done between SBI Foreign Offices as on 31st March, 2018 amounted to ₹ 12,056.81 crore (Previous Year ₹ 16,955.57 crore).

2. The outstanding notional amount of interest rate derivatives which are not marked —to-market (MTM) where the underlying Assets/ Liabilities are not marked to market as on 31st March, 2018 amounted to ₹45,442.82 crore (Previous Year ₹53,675.54 crore).

18.4. Asset Quality

a) Non-Performing Assets

(₹ in crore)

Particulars	As at 31st March, 2018	As at 31st March, 2017
I) Net NPAs to Net Advances (%)	5.73%	3.71%
II) Movement of NPAs (Gross)		
(a) Opening balance	112,342.99	98,172.80
(b) Additions (Fresh NPAs) during the year including receipt from erstwhile ABs and BMBL on acquisition	160,303.65	39,071.38
Sub-total (i)	272,646.64	137,244.18
Less:		
(c) Reductions due to up gradations during the year	4,746.09	3,436.91
(d) Reductions due to recoveries (Excluding recoveries made from upgraded accounts)	4,277.67	894.48
(e) Technical/ Prudential Write-offs	4,537.11	Nil
(f) Reductions due to Write-offs during the year	35,658.31	20,569.80
Sub-total (ii)	49,219.18	24,901.19
(g) Closing balance (i-ii)	223,427.46	112,342.99
III) Movement of Net NPAs		
(a) Opening balance	58,277.38	55,807.02
(b) Additions during the year including receipt from erstwhile ABs and BMBL on acquisition	61,478.47	3,238.02
(c) Reductions during the year	8,901.15	767.66
(d) Closing balance	110,854.70	58,277.38
IV) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	54,065.61	42,365.78
(b) Provisions made during the year including receipt from erstwhile ABs and BMBL on acquisition	98,825.17	35,833.35
(c) Write-off / write-back of excess provisions	40,318.02	24,133.52
(d) Closing balance	112,572.76	54,065.61

Opening and closing balances of provision for NPAs include ECGC claims received and held pending adjustment of ₹ 1.97 crore (Previous Year ₹ 67.27 crore) and ₹ 8.72 crore (Previous Year ₹ 1.97 crore) respectively.

b) The disclosures relating to the divergence for the financial year 2016-17 in respect of provisions made by the bank against non-performing assets (excluding provisions made against standard assets) mandated in circular No. DBR.BP.BC.No.63/21.04.018/2016-17 dated 18th April 2017 issued by RBI is as under:

₹ in crore

Sr. No	Particulars	Amount
1	Gross NPAs as on 31 March, 2017, as reported by the Bank	112,342.99
2	Gross NPAs as on 31 March, 2017, as assessed by RBI	135,582.12
3	Divergence in Gross NPAs (2-1)	23,239.13
4	Net NPAs as on 31 March, 2017, as reported by the Bank	58,277.38
5	Net NPAs as on 31 March, 2017, as assessed by RBI	75,795.85
6	Divergence in Net NPAs (5-4)	17,518.47
7	Provisions for NPAs as on 31 March, 2017, as reported by the Bank	54,065.61
8	Provisions for NPAs as on 31 March, 2017, as assessed by RBI	59,786.27
9	Divergence in provisioning (8-7)*	5,720.66
10	Reported Net Profit after Tax (PAT) for the year ended March 31, 2017	10,484.10
11	Adjusted (notional) Net Profit after Tax (PAT) for the year ended 31 March, 2017 after taking into account the divergence in provisioning	6,743.25

* The net current impact of the afore-mentioned retrospective slippages due to divergences noted by RBI has been duly reflected in the results for the year ended 31st March, 2018.

c) Restructured Accounts

(₹ in crore)

Sr. No.	Type of Restructuring / Asset Classification / Particulars		Under CDR Mechanism (1) Standard	Sub Standard	Doubtful	Loss	Total	Under SME Debt Restructuring Mechanism (2) Standard	Sub Standard	Doubtful	Loss	Total
1	Restructured Accounts as on April 1, 2017 (Opening position)	No. of Borrowers	28	—	68	4	100	81	25	128	19	253
			(62)	(3)	(74)	(3)	(142)	(186)	(46)	(123)	(11)	(366)
		Amount outstanding	7,711.79	—	17,030.68	82.59	24,825.06	5,640.63	204.06	2,464.71	6.88	8,316.28
			(14,186.03)	(219.43)	(14,045.42)	(236.23)	(28,687.11)	(1,746.93)	(444.99)	(2,148.54)	(31.56)	(4,372.02)
		Provision thereon	327.32	—	360.74	0.94	689.01	21.94	10.65	113.98	—	146.57
			(779.15)	(13.64)	(411.89)	(0.94)	(1,205.62)	(49.49)	(18.24)	(104.21)	(—)	(171.95)
2	Fresh Restructuring during the current FY including receipt from erstwhile ABs and BMBL on acquisition	No. of Borrowers	23	4	18	6	51	288	436	2,066	288	3,078
			(—)	(—)	(3)	(—)	(3)	(—)	(3)	(9)	(—)	(12)
		Amount outstanding	3,453.35	220.71	8,499.62	186.82	12,360.50	83.44	188.53	189.35	5.34	466.66
			(64.19)	(23.18)	(236.82)	(—)	(324.18)	(5,135.02)	(51.01)	(138.13)	(—)	(5,324.16)
		Provision thereon	192.47	20.86	15.30	0.03	228.66	27.69	3.80	3.94	0.39	35.82
			(0.36)	(0.19)	(—)	(—)	(0.55)	(0.20)	(0.33)	(2.98)	(—)	(3.51)
3	Up gradation to restructured standard category during current FY	No. of Borrowers	1	—	-1	—	—	1	—	-1	—	—
			(2)	(-1)	(-1)	(—)	(—)	(1)	(—)	(-1)	(—)	(—)
		Amount outstanding	443.42	—	-443.42	—	—	—	—	—	—	—
			(478.88)	(-79.13)	(-399.76)	(—)	(—)	(20.89)	(-17.31)	(-3.58)	(—)	(—)
		Provision thereon	6.33	—	-6.33	—	—	—	—	—	—	—
			(37.06)	(-0.42)	(-36.64)	(—)	(—)	(—)	(—)	(—)	(—)	(—)
4	Restructured Standard Advances which ceases to attract higher provisioning and/ or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of Borrowers	-11				-11	-43				-43
			(-17)				(-17)	(-50)				(-50)
		Amount outstanding	-5,389.94				-5,389.94	-5,318.42				-5,318.42
			(-1063.82)				(-1063.82)	(-271.96)				(-271.96)
		Provision thereon	-209.29				-209.29	-1.80				-1.80
			(-18.74)				(-18.74)	(-2.20)				(-2.20)
5	Downgradations of restructured accounts during current FY	No. of Borrowers	-13	—	11	2	—	-6	5	-3	4	—
			(-16)	(-2)	(15)	(3)	(—)	(-25)	(-3)	(18)	(10)	(—)
		Amount outstanding	-3,336.83	303.58	2,747.62	285.63	—	-235.87	125.95	108.16	1.76	—
			(-4942.66)	(-163.48)	(4,860.65)	(245.50)	(—)	(-164.71)	(-54.54)	(206.59)	(12.66)	(—)
		Provision thereon	(36.14)	7.65	28.03	0.47	—	-12.02	12.02	—	—	—
			(-288.33)	(-13.41)	(289.39)	(12.35)	(—)	(-8.79)	(1.45)	(7.34)	(—)	(—)
6	Write-offs of restructured accounts during current FY	No. of Borrowers	-20	-1	-31	-4	-56	-273	-297	-2,019	-293	-2,882
			(-3)	(—)	(-23)	(-2)	(-28)	(-31)	(-21)	(-21)	(-2)	(-75)
		Amount outstanding	-2,274.02	-143.78	-11,993.72	-306.20	-14,717.72	-94.19	-140.70	-202.42	-7.16	-444.47
			(-1010.82)	(—)	(-1712.45)	(-399.14)	(-3122.42)	(-825.52)	(-220.09)	(-24.96)	(-37.34)	(-1107.94)
		Provision thereon	-273.63	-0.34	-291.54	-1.44	-566.95	-17.58	0.38	-2.51	—	-19.71
			(-182.17)	(—)	(-303.90)	(-12.35)	(-498.42)	(-16.77)	(-9.37)	(-0.55)	(—)	(-26.69)
7	Total Restructured Accounts as on 31st March, 2018 (Closing Position)	No. of Borrowers	8	3	65	8	84	48	169	171	18	406
			(28)	(—)	(68)	(4)	(100)	(81)	(25)	(128)	(19)	(253)
		Amount outstanding	607.77	380.51	15,840.78	248.84	17,077.90	75.59	377.84	2,559.80	6.82	3,020.05
			(7,711.79)	(—)	(17,030.68)	(82.59)	(24,825.06)	(5,640.65)	(204.06)	(2,464.71)	(6.88)	(8,316.28)
		Provision thereon	7.06	28.17	106.20	—	141.43	18.23	26.85	115.41	0.39	160.88
			(327.32)	(—)	(360.74)	(0.94)	(689.01)	(21.94)	(10.65)	(113.98)	(—)	(146.58)

Sr. No.	Type of Restructuring / Asset Classification / Particulars		Others (3) Standard	Sub Standard	Doubtful	Loss	Total	TOTAL (1 + 2 + 3) Standard	Sub Standard	Doubtful	Loss	Total
1	Restructured Accounts as on April 1, 2017 (Opening position)	No. of Borrowers	100	206	1,990	49	2,345	209	231	2,186	72	2,698
			(301)	(520)	(2,336)	(90)	(3,247)	(549)	(569)	(2,427)	(104)	(3,649)
		Amount outstanding	23,281.14	2,714.14	6,774.45	30.56	32,800.30	36,633.56	2,918.20	26,269.85	120.03	65,941.64
			(23,122.42)	(578.73)	(9,210.75)	(146.17)	(33,058.07)	(39,178.48)	(1,254.11)	(25,470.39)	(424.81)	(66,327.79)
		Provision thereon	242.27	28.14	174.82	—	445.23	591.54	38.79	649.55	0.94	1,280.82
			(403.03)	(7.13)	(30.54)	(0.03)	(440.73)	(1,232.45)	(38.97)	(603)	(0.98)	(1,875.40)
2	Fresh Restructuring during the current FY including receipt from erstwhile ABs and BMBL on acquisition	No. of Borrowers	30,726	6,219	235	20	37,200	31,037	6,659	2,319	314	40,329
			(7)	(130)	(63)	(5)	(205)	(7)	(133)	(75)	(5)	(220)
		Amount outstanding	8,757.80	3,097.75	9,145.22	121.52	21,122.29	12,294.58	3,506.99	17,834.19	313.68	33,949.44
			(11,674.54)	(646.34)	(2,029)	(6.35)	(14,356.24)	(16,873.75)	(720.53)	(2,403.95)	(6.35)	(20,004.58)
		Provision thereon	236.33	25.15	93.70	4.23	359.41	456.49	49.80	112.94	4.66	623.89
			(22.76)	(1.05)	(25.60)	(—)	(49.41)	(23.32)	(1.57)	(28.58)	(—)	(53.47)
3	Upgradation to restructured standard category during current FY	No. of Borrowers	5	-3	-2	—	—	7	-3	-4	—	—
			(2)	(2)	(6)	(-10)	(—)	(5)	(1)	(4)	(-10)	(—)
		Amount outstanding	656.33	-605.65	-50.68	—	—	1,099.75	-605.65	-494.10	—	—
			(129.73)	(0.03)	(-129.45)	(-0.31)	(—)	(629.50)	(-96.41)	(-532.78)	(-0.31)	(—)
		Provision thereon	3.99	-1.04	-2.95	—	—	10.32	-1.04	-9.28	—	—
			(0.96)	0	(-0.96)	(—)	(—)	(38.02)	(-0.42)	(-37.6)	(—)	(—)
4	Restructured Standard Advances which ceases to attract higher provisioning and/ or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of Borrowers	-38				-38	-92				-92
			(-19)				(-19)	(-86)				(-86)
		Amount outstanding	-2,716.15				-2,716.15	-13,424.50				-13,424.50
			(-1747)				(-1747)	(-3082.78)				(-3082.78)
		Provision thereon	-14.83				-14.83	-225.93				-225.93
			(-20.25)				(-20.25)	(-41.19)				(-41.19)
5	Downgradations of restructured accounts during current FY	No. of Borrowers	-50	-222	249	23	—	-69	-217	257	29	—
			(-87)	(-222)	(290)	(19)	(—)	(-128)	(-227)	(323)	(32)	(—)
		Amount outstanding	-21,997.58	456.27	20,388.99	1,152.33	—	-25,570.29	885.80	23,244.77	1,439.72	—
			(-3698.54)	(1,631.73)	(1,752.57)	(314.24)	(—)	(-8805.91)	(1,413.70)	(6,819.81)	(572.40)	(—)
		Provision thereon	-133.95	52.17	81.52	0.26	—	(182.12)	71.84	109.55	0.73	—
			(-102.40)	(23.63)	(78.77)	(—)	(—)	(-399.52)	(11.67)	(375.50)	(12.35)	(—)
6	Write-offs of restructured accounts during current FY	No. of Borrowers	-30,383	-5,865	-1,378	-47	-37,673	-30,676	-6,163	-3,428	-344	-40,611
			(-104)	(-224)	(-705)	(-55)	(-1088)	(-138)	(-245)	(-643)	(-59)	(-1085)
		Amount outstanding	-3,801.80	-1,728.55	-6,626.80	-338.00	-12,495.16	-6,170.02	-2,013.03	-18,822.94	-651.36	-27,657.35
			(-6200.01)	(-142.69)	(-6088.43)	(-435.90)	(-12867.01)	(-8159.48)	(-373.73)	(-7891.51)	(-883.23)	(-17307.95)
		Provision thereon	-248.70	-24.28	-176.47	-3.85	-453.30	-539.91	-24.24	-470.52	-5.30	-1,039.97
			(-61.83)	(-3.67)	(-40.87)	(-0.03)	(-24.66)	(-261.54)	(-12.99)	(-319.94)	(-12.39)	(-606.86)
7	Total Restructured Accounts as on 31st March, 2018 (Closing Position)	No. of Borrowers	360	335	1,094	45	1,834	416	507	1,330	71	2,324
			(100)	(206)	(1,990)	(49)	(2,345)	(209)	(231)	(2,186)	(72)	(2,698)
		Amount outstanding	4,179.74	3,933.96	29,631.18	966.41	38,711.28	4,863.08	4,692.31	48,031.77	1,222.07	58,809.23
			(23,281.14)	(2,714.14)	(6,774.45)	(30.56)	(32,800.30)	(36,633.56)	(2,918.20)	(26,269.85)	(120.03)	(65,941.64)
		Provision thereon	85.11	80.14	170.62	0.64	336.51	110.39	135.15	392.24	1.03	638.81
			(242.27)	(28.14)	(174.82)	(—)	(445.23)	(591.54)	(38.79)	(649.55)	(0.94)	(1,280.82)

Note:

1. Increase in outstanding of ₹ 11,165.38 crore (Previous Year ₹ 1,922.73 crore) included in Fresh Additions
2. Closure of ₹ 10,935.28 crore (Previous Year ₹ 10,070.48 crore) and decrease in Outstanding of ₹ 9,266.34 crore (Previous Year ₹2,090.33 crore) is included in Write off.
3. Total Column does not include standard assets moved out of higher provisioning.

d) Details of Technical Write-offs and the recoveries made thereon:

(₹ in crore)

Sr No	Particulars	Current Year	Previous Year
i	Opening balance of Technical/ Prudential written-off accounts as at April 1	Nil	Nil
ii	Add: Technical/Prudential write-offs during the year including receipt from erstwhile ABs and BMBL on acquisition	12,926.65	Nil
iii	Sub-total (A)	12,926.65	Nil
iv	Less: Recoveries made/ Actual written off from previously technical/prudential writtenoff accounts during the year (B)	8,389.54	Nil
v	Closing balance as at March 31 (A-B)	4,537.11	Nil

e) Details of financial assets sold to Securitisation Company (SC) / Reconstruction Company (RC) for Asset Reconstruction

(₹ in crore)

Sr No	Particulars	Current Year	Previous Year
i	No. of Accounts	32	38
ii	Aggregate value (net of provisions) of accounts sold to SC/RC	964.72	503.91
iii	Aggregate consideration*	1,304.36	516.52
iv	Additional consideration realized in respect of accounts transferred in earlier years	—	—
v	Aggregate gain /(loss) over net book value #	339.64	12.61

* SRs received as part of considerations have been recognised at lower of Net book Value/ Face Value as per RBI Guidelines.

\# Includes amount of ₹ Nil (Previous Year ₹ 0.54 crore) credited to charges/ (interest) account.

f) Excess Provision reversed to Profit & Loss Account on account of Sale of NPAs to Securitisation Company (SC) / Reconstruction Company (RC)

(₹ in crore)

Particulars	Current Year	Previous Year
Excess Provision reversed to P&L Account in case of Sale of NPAs	—	5.23

g) Details of non-performing financial assets purchased

(₹ in crore)

Sr No		Particulars	Current Year	Previous Year
1)	(a)	No. of Accounts purchased during the year	Nil	Nil
	(b)	Aggregate outstanding	Nil	Nil
2)	(a)	Of these, number of accounts restructured during the year	Nil	Nil
	(b)	Aggregate outstanding	Nil	Nil

h) Details of non-performing financial assets sold

(₹ in crore)

Sr No	Particulars	Current Year	Previous Year
1)	No. of Accounts sold	16	31
2)	Aggregate outstanding	1,323.69	938.63
3)	Aggregate consideration received	1,057.73	487.76

i) **Provision on Standard Assets:**

(₹ in crore)

Particulars	As at 31st March, 2018	As at 31st March, 2017
Provision towards Standard Assets	12,499.46	13,678.24

j) **Disclosures on Strategic Debt Restructuring Scheme (accounts which are currently under the stand-still period)**

(₹ in crore)

No. of accounts where SDR has been invoked	Amount outstanding as on 31st March, 2018		Amount outstanding as on 31st March, 2018 with respect to accounts where conversion of debt to equity is pending		Amount outstanding as on 31st March, 2018 with respect to accounts where conversion of debt to equity has taken place	
Classified as	Standard	NPA	Standard	NPA	Standard	NPA
Nil	Nil	Nil	Nil	Nil	Nil	Nil

k) **Disclosures on Flexible Structuring of Existing Loans**

(₹ in crore)

Period	No of Borrowers taken up for flexibly Structuring	Amount of Loans taken up for flexible structuring		Exposure weighted average duration of loans taken up for flexible structuring	
		Classified as Standard	Classified as NPA	Before applying flexible structuring (Yrs)	After applying flexible structuring (Yrs)
Previous Year	6	3,230.38	—	4.43 yrs	8.66 yrs
Current Year	2	1,254.32	—	3.55 yrs	9.67 yrs

l) **Disclosures on Change in Ownership outside SDR Scheme (accounts which are currently under the stand-still period)**

(₹ in crore)

No. of accounts where banks have decided to effect change in ownership	Outstanding as on the reporting date		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity/invocation of pledge of equity shares is pending		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity/invocation of pledge of equity shares has taken place		Amount outstanding as on the reporting date with respect to accounts where change in ownership is envisaged by issuance of fresh shares or sale of promoters equity	
Classified as	Standard	NPA	Standard	NPA	Standard	NPA	Standard	NPA
Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

m) **Disclosures on Change in Ownership of Projects Under Implementation (accounts which are currently under the stand-still period)**

(₹ in crore)

No. of project loan accounts where banks have decided to effect change in ownership	Amount outstanding as on 31st March, 2018		
	Classified as standard	Classified as Standard Restructured	Classified as NPA
Nil	Nil	Nil	Nil

n) **Disclosures on the Scheme for Sustainable Structuring of Stressed Assets (S4A), as on 31.03.2018.**

(₹ in crore)

Accounts where S4A has been applied		Aggregate amount outstanding	Amount outstanding		Provision held
Asset Classification	**Number of Accounts**		**In Part A**	**In Part B**	
Standard Accounts	7	6,111.29	3,669.15	2,644.31	1,401.28
NPAs	4	1,786.57	701.22	1,085.35	674.42

18.5. Business Ratios

Particulars		Current Year	Previous Year
i.	Interest Income as a percentage to Working Funds	6.37%	6.86%
ii.	Non-interest income as a percentage to Working Funds	1.29%	1.39%
iii	Operating Profit as a percentage to Working Funds	1.72%	1.99%
iv.	Return on Assets*	(-)0.19%	0.41%
v.	Business (Deposits plus advances) per employee (₹ in crore)	16.70	16.24
vi.	Profit per employee (₹ in thousands)	(-)243.33	511.10

* (on net-assets basis)

18.6. Asset Liability Management: Maturity pattern of certain items of assets and liabilities as at 31st March, 2018

(₹ in crore)

	Day1	2-7 Days	8-14 Days	15 to 30 days	Over 31 days and upto 2 months	Over 2 months and upto 3 months	Over 3 months & upto 6 months	Over 6 months & upto 1 Year	Over 1 Year & upto 3 years	Over 3 Years & upto 5 years	Over 5 Years	Total
Deposits	18,801.34	62,884.68	36,410.72	59,039.39	102,902.64	95,934.27	268,120.10	502,239.16	505,095.20	282,468.59	772,447.20	2,706,343.29
	(24,697.20)	(38,065.95)	(25,980.69)	(42,544.33)	(59,304.31)	(62,862.54)	(177,889.82)	(350,586.32)	(457,630.51)	(204,524.39)	(600,665.33)	(2,044,751.39)
Advances	9,505.35	22,201.83	23,146.72	96,137.66	47,241.42	61,224.31	117,078.25	273,529.68	287,544.39	247,962.40	749,308.18	1,934,880.19
	(88,220.08)	(11,902.42)	(10,735.41)	(24,246.23)	(26,857.91)	(33,575.28)	(25,110.19)	(34,647.16)	(573,668.96)	(130,137.82)	(611,976.92)	(1,571,078.38)
Investments	79.71	1,753.94	7,824.29	7,044.03	41,927.02	29,445.22	33,385.93	55,415.07	164,722.92	174,516.31	544,872.27	1,060,986.71
	(0.11)	(2,467.87)	(3,533.97)	(9,420.60)	(20,303.63)	(23,030.42)	(65,709.50)	(47,135.41)	(100,108.55)	(109,188.92)	(385,090.65)	(765,989.63)
Borrowings	217.95	84,918.90	38,244.45	19,866.70	23,856.81	23,304.46	25,422.91	30,492.51	44,182.98	23,658.96	47,975.44	362,142.07
	(5,668.32)	(87,457.90)	(8,903.41)	(18,284.39)	(23,097.43)	(24,040.18)	(37,371.23)	(13,169.80)	(20,431.03)	(23,590.79)	(55,679.18)	(317,693.66)
Foreign Currency Assets #	2,410.92	2,875.52	3,525.69	22,501.88	13,481.32	17,334.18	31,977.62	40,927.39	145,715.96	74,935.97	37,041.66	392,728.11
	(80,272.16)	(1,328.79)	(3,953.60)	(8,351.58)	(9,722.94)	(9,768.94)	(12,432.10)	(32,353.90)	(63,954.10)	(67,312.64)	(40,758.58)	(330,209.33)
Foreign Currency Liabilities $	877.05	22,146.51	10,534.83	23,488.39	31,245.24	31,360.75	39,865.36	63,595.71	73,874.40	39,418.43	28,029.95	364,436.62
	(30,639.24)	(12,268.81)	(10,316.45)	(21,500.13)	(28,558.95)	(30,283.69)	(51,784.89)	(35,556.34)	(46,971.60)	(34,795.54)	(18,202.56)	(320,878.20)

\# Foreign Currency Assets and Liabilities represent advances and investments (net of provision thereof)

$ Foreign Currency Liabilities represent borrowings and deposits.

(Figures in brackets are as at 31st March, 2017)

18.7. Exposures

The Bank is lending to sectors, which are sensitive to asset price fluctuations.

a) Real Estate Sector

(₹ in crore)

Particulars		Current Year	Previous Year
I	**Direct exposure**		
	i) Residential Mortgages	303,188.55	251,386.94
	Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented.	303,188.55	251,386.94
	Of which (i) Individual housing loans up to ₹ 28 lacs in Metropolitan centres (Population >= 10 lacs) and ₹ 20 lacs in other centres for purchase/construction of dwelling unit per family.	126,359.38	106,094.23
	ii) Commercial Real Estate		
	Lending secured by mortgages on Commercial Real Estates (office building, retail space, multi purpose commercial premises, multifamily residential buildings, multi tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction etc.) Exposures would also include non fund based (NFB) limits.	82,807.89	36,915.86
	iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures:	266.05	214.69
	a) Residential	266.05	214.69
	b) Commercial Real Estate.	—	—
II	**Indirect Exposure**		
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	87,233.16	70,703.93
	Total Exposure to Real Estate Sector	**473,495.65**	**359,221.42**

b) Capital Market

(₹ in crore)

	Particulars	Current Year	Previous Year
1)	Direct investment in equity shares, convertible bonds, convertible debentures and units of equity- oriented mutual funds the corpus of which is not exclusively invested in corporate debt.	8,471.07	4,357.59
2)	Advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds.	31.47	5.78
3)	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security.	1,084.72	15,236.39
4)	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/convertible bonds/convertible debentures/units of equity oriented mutual funds does not fully cover the advances.	12,187.75	668.52
5)	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers.	200.15	0.17
6)	Loans sanctioned to corporates against the security of shares/bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources.	3.36	410.19
7)	Bridge loans to companies against expected equity flows/issues.	Nil	Nil
8)	Underwriting commitments taken up by the Banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds.	Nil	Nil
9)	Financing to stockbrokers for margin trading.	215.00	245.00
10)	Exposures to Venture Capital Funds (both registered and unregistered)	1,948.56	1,879.93
	Total Exposure to Capital Market	**24,142.08**	**22,803.57**

c) Risk Category wise Country Exposure

As per the extant RBI guidelines, the country exposure of the Bank is categorised into various risk categories listed in the following table. The country exposure (net funded) of the Bank for any country does not exceed 1% of its total assets except on USA, hence provision for the country exposure on USA has been made.

(₹ in crore)

Risk Category	Net Funded Exposure		Provision held	
	As at 31st March, 2018	As at 31st March, 2017	As at 31st March, 2018	As at 31st March, 2017
Insignificant	96,534.70	75,637.24	111.18	116.04
Very Low	53,321.64	53,117.01	Nil	Nil
Low	11,110.42	3,834.73	Nil	Nil
Medium	13,480.60	10,844.54	Nil	Nil
High	4,246.28	8,823.27	Nil	Nil
Very High	8,082.38	4,954.18	Nil	Nil
Restricted	3,964.32	4,124.84	Nil	Nil
Total	**190,740.34**	**161,335.81**	**111.18**	**116.04**

d) Single Borrower and Group Borrower exposure limits exceeded by the Bank

The Bank had taken single borrower exposure & Group Borrower exposure within the prudential limit prescribed by RBI.

e) Unsecured Advances

(₹ in crore)

Sr No	Particulars	As at 31st March, 2018	As at 31st March, 2017
a)	Total Unsecured Advances of the bank	360,240.30	282,886.13
	i) Of which amount of advances outstanding against charge over intangible securities such as rights, licences, authority etc.	Nil	277.42
	ii) The estimated value of such intangible securities (as in (i) above).	Nil	277.42

18.8. Miscellaneous

a. Disclosure of Penalties

Monetary Authority of Singapore (MAS) levied a penalty of ₹ 2.99 crore (Singapore Dollar 600,000) on Singapore branch for breach of section 27 B (2) of the MAS Act.

Reserve Bank of India levied a penalty of ₹ 0.40 crore on the Bank for non-compliance with the directions issued by RBI on detection and impounding of counterfeit notes.

Previous year: Central Bank of Oman levied penalty of ₹ 0.13 crore (Omani Riyal 8000) on Muscat branch for non compliance to some of the provisions of Banking Law 2000 & circulars of Central Bank of Oman.

b. Penalty for Bouncing of SGL forms

No penalty has been levied on the Bank for bouncing of SGL Forms.

18.9. Disclosure Requirements as per the Accounting Standards

a) Accounting Standard — 5 "Net Profit or Loss for the period, Prior Period items and Changes in Accounting Policies"

The Bank changed its accounting policy with respect to booking of commission earned on issuance of Letter of Credit and Bank Guarantees, other than on Deferred Payment Guarantees w. e. f. April 1, 2017. Now these are being recognized over the period of LC/BG, instead of on realisation basis done earlier.

The impact of the change in policy, as compared to previous practice has resulted in lower income under this head to the extent of ₹ 1,203.60 crore for the year ended on 31st March, 2018.

b) Accounting Standard — 15 "Employee Benefits"

i. Defined Benefit Plans

1. Employee's Pension Plan and Gratuity Plan

The following table sets out the status of the Defined Benefit Pension Plan and Gratuity Plan as per the actuarial valuation by the independent Actuary appointed by the Bank:-

(₹ in crore)

	Pension Plans		Gratuity Plan	
Particulars	**Current Year**	**Previous Year**	**Current Year**	**Previous Year**
Change in the present value of the defined benefit obligation				
Opening defined benefit obligation at 1st April, 2017	67,824.90	59,151.41	7,291.02	7,332.14
Current Service Cost	978.19	715.64	286.07	151.08
Interest Cost	6,248.32	4,767.60	713.71	576.31
Past Service Cost (Vested Benefit)	—	1,200.00	3,610.00	—
Liability transferred In/Acquisitions	16,045.22	—	2,526.13	—
Actuarial losses (gains)	3,338.70	6,525.61	(18.74)	227.95
Benefits paid	(4,190.42)	(2,175.52)	(1,535.59)	(996.46)
Direct Payment by Bank	(2,458.35)	(2,359.84)	—	—
Closing defined benefit obligation at 31st March, 2018	87,786.56	67,824.90	12,872.60	7,291.02
Change in Plan Assets				
Opening fair value of Plan Assets as at 1st April, 2017	64,560.42	53,410.37	7,281.18	6,879.77
Expected Return on Plan Assets	5,908.09	4,304.88	709.95	540.75
Contributions by employer	4,363.79	6,771.00	226.90	674.78
Assets transferred In/Acquisitions	14,742.79	—	2,484.28	—
Expected Contributions by the employees	—	3.09	—	—
Benefits Paid	(4,190.42)	(2,175.52)	(1,535.59)	(996.46)
Actuarial Gains/(Loss) on plan Assets	(135.07)	2,246.60	(25.96)	182.34
Closing fair value of plan assets as at 31st March, 2018	85,249.60	64,560.42	9,140.76	7,281.18
Reconciliation of present value of the obligation and fair value of the plan assets				
Present Value of Funded obligation at 31st March, 2018	87,786.56	67,824.90	12,872.60	7,291.02
Fair Value of Plan assets at 31st March, 2018	85,249.60	64,560.42	9,140.76	7,281.18

(₹ in crore)

	Pension Plans		Gratuity Plan	
Particulars	**Current Year**	**Previous Year**	**Current Year**	**Previous Year**
Deficit/(Surplus)	2,536.96	3,264.48	3,731.84	9.84
Unrecognised Past Service Cost (Vested) Closing Balance	—	—	(2,707.50)	—
Unrecognised Transitional Liability Closing Balance	—	—	—	—
Net Liability/(Asset)	2,536.96	3,264.48	1,024.34	9.84
Amount Recognised in the Balance Sheet				
Liabilities	87,786.56	67,824.90	12,872.60	7,291.02
Assets	85,249.60	64,560.42	9,140.76	7,281.18
Net Liability/(Asset) recognised in Balance Sheet	2,536.96	3,264.48	3,731.84	9.84
Unrecognised Past Service Cost (Vested) Closing Balance	—	—	(2,707.50)	—
Unrecognised Transitional Liability Closing Balance	—	—	—	—
Net Liability/(Asset)	2,536.96	3,264.48	1,024.34	9.84
Net Cost recognised in the Profit and Loss account				
Current Service Cost	978.19	715.64	286.07	151.08
Interest Cost	6,248.32	4,767.60	713.71	576.31
Expected return on plan assets	(5,908.09)	(4,304.88)	(709.95)	(540.75)
Expected Contributions by the employees	—	(3.09)	—	—
Past Service Cost (Amortised) Recognised	—	—	—	—
Past Service Cost (Vested Benefit) Recognised	—	1,200.00	902.50	—
Net actuarial losses (Gain) recognised during the year	3,473.77	4,279.01	7.22	45.61
Total costs of defined benefit plans included in Schedule 16 "Payments to and provisions for employees"	4,792.19	6,654.28	1,199.55	232.25
Reconciliation of expected return and actual return on Plan Assets	,			
Expected Return on Plan Assets	5,908.09	4,304.88	709.95	540.75
Actuarial Gain/(loss) on Plan Assets	(135.07)	2,246.60	(25.96)	182.34
Actual Return on Plan Assets	5,773.02	6,551.48	683.99	723.09
Reconciliation of opening and closing net liability/(asset) recognised in Balance Sheet				
Opening Net Liability/(Asset) as at 1st April, 2017	3,264.48	5,741.04	9.84	452.37
Expenses as recognised in Profit and Loss account	4,792.19	6,654.28	1,199.55	232.25
Paid by Bank Directly	(2,458.35)	(2,359.84)	—	—
Debited to Other Provision	—	—	—	—
Recognised in Reserve	—	—	—	—
Net Liability/(Asset) transferred in	1,302.43	—	41.85	—
Employer's Contribution	(4,363.79)	(6,771.00)	(226.90)	(674.78)
Net liability/(Asset) recognised in Balance Sheet	2,536.96	3,264.48	1,024.34	9.84

Investments under Plan Assets of Pension Fund & Gratuity Fund as on 31st March, 2018 are as follows:

Category of Assets	Pension Fund % of Plan Assets	Gratuity Fund % of Plan Assets
Central Govt. Securities	24.57%	21.39%
State Govt. Securities	30.32%	24.69%
Debt Securities, Money Market Securities and Bank Deposits	30.55%	14.91%
Mutual Funds	2.49%	2.28%
Insurer Managed Funds	2.19%	29.29%
Others	9.88%	7.44%
Total	100.00%	100.00%

Principal actuarial assumptions

(₹ in crore)

Particulars	Pension Plans		Gratuity Plan	
	Current Year	Previous Year	Current Year	Previous Year
Discount Rate	7.76%	7.45%	7.78%	7.27%
Expected Rate of return on Plan Asset	7.76%	7.45%	7.78%	7.27%
Salary Escalation	5.00%	5.00%	5.00%	5.00%
Attrition Rate	2.00%	2.00%	2.00%	2.00%
Mortality Table	IALM (2006-08) ULTIMATE	IALM (2006-08) ULTIMATE	IALM (2006-08) ULTIMATE	IALM (2006-08) ULTIMATE

Surplus/Deficit in the Plan

Gratuity Plan

(₹ in crore)

Amount recognized in the Balance Sheet	Year ended 31-03-2014	Year ended 31-03-2015	Year ended 31-03-2016	Year ended 31-03-2017	Year ended 31-03-2018
Liability at the end of the year	6,838.07	7,182.35	7,332.14	7,291.02	12,872.60
Fair value of Plan Assets at the end of the year	7,090.59	7,110.25	6,879.77	7,281.18	9,140.76
Difference	(252.52)	72.10	452.37	9.84	3,731.84
Unrecognised Past Service Cost	—	—	—	—	2,707.50
Unrecognised Transition Liability	—	—	—	—	—
Amount Recognized in the Balance Sheet	(252.52)	72.10	452.37	9.84	1,024.34

Experience adjustment

(₹ in crore)

Amount recognized in the Balance Sheet	Year ended 31-03-2014	Year ended 31-03-2015	Year ended 31-03-2016	Year ended 31-03-2017	Year ended 31-03-2018
On Plan Liability (Gain)/Loss	210.19	(24.69)	326.09	10.62	399.62
On Plan Asset (Loss)/Gain	23.87	106.04	(43.09)	182.34	(25.96)

Surplus/Deficit in the plan

Pension

(₹ in crore)

Amount recognized in the Balance Sheet	Year ended 31-03-2014	Year ended 31-03-2015	Year ended 31-03-2016	Year ended 31-03-2017	Year ended 31-03-2018
Liability at the end of the year	45,236.99	51,616.04	59,151.41	67,824.90	87,786.56
Fair value of Plan Assets at the end of the year	42,277.01	49,387.97	53,410.37	64,560.42	85,249.60
Difference	2,959.98	2,228.07	5,741.04	3,264.48	2,536.96
Unrecognised Past Service Cost	—	—	—	—	—
Unrecognised Transition Liability	—	—	—	—	—
Amount Recognized in the Balance Sheet	2,959.98	2,228.07	5,741.04	3,264.48	2,536.96

Experience adjustment

On Plan Liability (Gain)/Loss	7,709.67	1,732.86	5,502.35	3,007.59	4,439.54
On Plan Asset (Loss)/Gain	335.40	2,285.87	(162.93)	2,246.60	(135.07)

The estimates of future salary growth, factored in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market. Such estimates are very long term and are not based on limited past experience/immediate future. Empirical evidence also suggests that in very long term, consistent high salary growth rates are not possible. The said estimates and assumptions have been relied upon by the auditors.

Consequent upon amendment in Payment of Gratuity Act 1972 and revision in gratuity ceiling from ₹ 10.00 Lakh to ₹ 20.00 lakh, the additional liability works out to ₹ 3,610.00 crore. RBI has vide letter No. DBR.BP.9730/21.04.018/2017-18 dated 27th April 2018 advised that banks, may at their discretion, spread the expenditure involved over four quarters beginning from the quarter ended 31st March, 2018. They have also advised that the enhanced gratuity related unamortized expenditure would not be reduced from Tier I capital.

Accordingly, out of the total additional liability of ₹ 3,610.00 crore, an amount of ₹ 902.50 crore have been charged to the Profit & Loss Account for the year ended 31st March, 2018 and the remaining unamortized liability of ₹ 2,707.50 crore shall be provided over next three quarters i.e. from June'18 quarter to December'18 quarter.

2. **Employees' Provident Fund**

Actuarial valuation carried out in respect of interest shortfall in the Provident Fund Trust of the Bank, as per Deterministic Approach shows "Nil" liability, hence no provision is made in F.Y. 2017-18.

The following table sets out the status of Provident Fund as per the actuarial valuation by the independent Actuary appointed by the Bank:-

(₹ in crore)

Particulars	Provident Fund	
	Current Year	**Previous Year**
Change in the present value of the defined benefit obligation		
Opening defined benefit obligation at 1st April, 2017	25,921.96	25,159.70
Current Service Cost	942.85	811.36
Interest Cost	2,428.48	2,177.60
Employee Contribution (including VPF)	1,357.28	1,031.10
Liability Transferred In	3,309.05	—
Actuarial losses/(gains)	25.56	—
Benefits paid	(4,050.55)	(3,257.80)
Closing defined benefit obligation at 31st March, 2018	29,934.63	25,921.96
Change in Plan Assets		
Opening fair value of Plan Assets as at 1st April, 2017	26,915.23	25,985.32
Expected Return on Plan Assets	2,428.48	2,177.60
Contributions	2,300.13	1,842.46
Transferred from other Companies	3,723.65	—
Benefits Paid	(4,050.55)	(3,257.80)
Actuarial Gains / (Loss) on plan Assets	185.55	167.65
Closing fair value of plan assets as at 31st March, 2018	31,502.49	26,915.23
Reconciliation of present value of the obligation and fair value of the plan assets		
Present Value of Funded obligation at 31st March, 2018	29,934.63	25,921.96
Fair Value of Plan assets at 31st March, 2018	31,502.49	26,915.23
Deficit/(Surplus)	(1,567.86)	(993.27)
Net Asset not recognised in Balance Sheet		
Net Cost recognised in the Profit and Loss account	1,567.86	993.27
Current Service Cost	942.85	811.36
Interest Cost	2,428.48	2,177.60
Expected return on plan assets	(2,428.48)	(2,177.60)
Interest shortfall reversed	—	—
Total costs of defined benefit plans included in Schedule 16 "Payments to and provisions for employees"	942.85	811.36
Reconciliation of opening and closing net liability/ (asset) recognised in Balance Sheet	—	—
Opening Net Liability as at 1st April, 2017	—	—
Expense as above	942.85	811.36
Employer's Contribution	(942.85)	(811.36)
Net Liability/(Asset) Recognized In the Balance Sheet	—	—

Investments under Plan Assets of Provident Fund as on 31st March, 2018 are as follows:

Category of Assets	Provident Fund % of Plan Assets
Central Govt. Securities	37.02%
State Govt. Securities	23.04%
Debt Securities, Money Market Securities and Bank Deposits	32.73%
Insurer Managed Funds	1.62%
Others	5.59%
Total	100.00%

Principal actuarial assumptions

Particulars	Provident Fund	
	Current Year	Previous Year
Discount Rate	7.78%	7.27%
Guaranteed Return	8.65%	8.80%
Attrition Rate	2.00%	2.00%
Salary Escalation	5.00%	5.00%
Mortality Table	IALM (2006-08) ULTIMATE	IALM (2006-08) ULTIMATE

There is a guaranteed return applicable to liability under SBI Employees Provident Fund which shall not be lower of either:

(a) one half percent above the average standard rate (adjusted up or down to the interest one quarter per cent) quoted by the bank for new deposits fixed for twelve months in the preceding year (ending on the preceding the 31st day of March); or

(b) three percent per annum, subject to approval of Executive Committee.

ii. Defined Contribution Plan:

The Bank has a Defined Contribution Pension Scheme (DCPS) applicable to all categories of officers and employees joining the Bank on or after August 1, 2010. The Scheme is managed by NPS Trust under the aegis of the Pension Fund Regulatory and Development Authority. National Securities Depository Limited has been appointed as the Central Record Keeping Agency for the NPS. During F.Y. 2017-18, the Bank has contributed ₹ 390.00 crore (Previous Year ₹ 218.15 crore).

iii. Long Term Employee Benefits (Unfunded Obligation):

(A) Accumulating Compensated Absences (Privilege Leave)

The following table sets out the status of Accumulating Compensated Absences (Privilege Leave) as per the actuarial valuation by the independent Actuary appointed by the Bank:-

(₹ in crore)

Particulars	Accumulating Compensated Absences (Privilege Leave) Current Year	Previous Year
Change in the present value of the defined benefit obligation		
Opening defined benefit obligation at 1st April, 2017	4,754.10	4,375.49
Current Service Cost	208.26	212.74
Interest Cost	432.03	343.91
Liability transferred In/Acquisitions	1,188.49	—
Actuarial losses/(gains)	593.08	397.82
Benefits paid	(933.78)	(575.86)
Closing defined benefit obligation at 31st March, 2018	6,242.18	4,754.10
Net Cost recognised in the Profit and Loss account		
Current Service Cost	208.26	212.74
Interest Cost	432.03	343.91
Actuarial (Gain)/Losses	593.08	397.82
Total costs of defined benefit plans included in Schedule 16 "Payments to and provisions for employees"	1,233.37	954.47
Reconciliation of opening and closing net liability/(asset) recognised in Balance Sheet		
Opening Net Liability as at 1st April, 2017	4,754.10	4,375.49
Expense as above	1,233.37	954.47
Net Liability/(Asset) transferred in	1,188.49	—
Employer's Contribution	—	—
Benefit paid directly by the Employer	(933.78)	(575.86)
Net Liability/(Asset) Recognized In the Balance Sheet	6,242.18	4,754.10

Principal actuarial assumptions

Particulars	Current Year	Previous Year
Discount Rate	7.78%	7.27%
Salary Escalation	5.00%	5.00%
Attrition Rate	2.00%	2.00%
Mortality Table	IALM (2006-08) ULTIMATE	IALM (2006-08) ULTIMATE

(B) Other Long Term Employee Benefits

Amount of ₹ (-) 63.95 crore (Previous Year ₹ 46.94 crore) is (written back)/provided towards Other Long Term Employee Benefits as per the actuarial valuation by the independent Actuary appointed by the Bank and is included under the head "Payments to and Provisions for Employees" in Profit and Loss Account.

Details of Provisions made for various Other Long Term Employee Benefits during the year:

(₹ in crore)

Sr No	Long Term Employee Benefits	Current Year	Previous Year
1	Leave Travel and Home Travel Concession (Encashment/Availment)	(10.88)	15.10
2	Sick Leave	—	—
3	Silver Jubilee Award	(27.87)	30.64
4	Resettlement Expenses on Superannuation	(13.23)	(0.25)
5	Casual Leave	—	—
6	Retirement Award	(11.97)	1.45
	Total	**(63.95)**	**46.94**

Principal actuarial assumptions

Particulars	Current Year	Previous Year
Discount Rate	7.78%	7.27%
Salary Escalation	5.00%	5.00%
Attrition Rate	2.00%	2.00%
Mortality Table	IALM (2006-08) ULTIMATE	IALM (2006-08) ULTIMATE

c) **Accounting Standard — 17 "Segment Reporting"**

1. **Segment Identification**

I. **Primary (Business Segment)**

The following are the primary segments of the Bank:-

— Treasury

— Corporate/Wholesale Banking

— Retail Banking

— Other Banking Business

The present accounting and information system of the Bank does not support capturing and extraction of the data in respect of the above segments separately. However, based on the present internal, organisational and management reporting structure and the nature of their risk and returns, the data on the primary segments have been computed as under:

i. **Treasury —**

The Treasury Segment includes the entire investment portfolio and trading in foreign exchange contracts and derivative contracts. The revenue of the treasury segment primarily consists of fees and gains or losses from trading operations and interest income on the investment portfolio.

ii. **Corporate/Wholesale Banking —**

The Corporate/Wholesale Banking segment comprises the lending activities of Corporate Accounts Group, Mid Corporate Accounts Group and Stressed Assets Resolution Group. These include providing loans and transaction services to corporate and institutional clients and further include non-treasury operations of foreign offices.

iii. **Retail Banking —**

The Retail Banking Segment comprises of branches in National Banking Group, which primarily includes Personal Banking activities including lending activities to corporate customers having banking relations with branches in the National Banking Group. This segment also includes agency business and ATMs.

iv. **Other Banking business —**

Segments not classified under (i) to (iii) above are classified under this primary segment.

II. Secondary (Geographical Segment)

i) Domestic Operations - Branches/Offices having operations in India

ii) Foreign Operations - Branches/Offices having operations outside India and offshore Banking units having operations in India

III. Pricing of Inter-segmental Transfers

The Retail Banking segment is the primary resource mobilising unit. The Corporate/Wholesale Banking and Treasury segments are recipient of funds from Retail Banking. Market related Funds Transfer Pricing (MRFTP) is followed under which a separate unit called Funding Centre has been created. The Funding Centre notionally buys funds that the business units raise in the form of deposits or borrowings and notionally sell funds to business units engaged in creating assets.

IV. Allocation of Expenses, Assets and Liabilities

Expenses incurred at Corporate Centre establishments directly attributable either to Corporate/Wholesale and Retail Banking Operations or to Treasury Operations segment, are allocated accordingly. Expenses not directly attributable are allocated on the basis of the ratio of number of employees in each segment/ratio of directly attributable expenses.

The Bank has certain common assets and liabilities, which cannot be attributed to any segment, and the same are treated as unallocated.

2. **Segment Information**

Part A: Primary (Business Segments)

(₹ in crore)

Business Segment	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Operations	Total
Revenue (before exceptional items) #	82,020.76	63,280.84	111,809.55	—	257,111.15
	(63,551.80)	(60,676.63)	(84,411.17)	(—)	(208,639.60)
Unallocated Revenue # . . .					2,552.68
					(2339.57)
Total Revenue					259,663.83
					(210,979.17)
Result (before exceptional items) #	48.05	(38,498.98)	19,412.16	—	-19,038.77
	(14,043.57)	(-18192.09)	(20,864.26)	(—)	(16,715.74)
Add: Exceptional Items . . .	5,436.17				5,436.17
	(—)				(—)
Result (after exceptional items) #	5,484.22	(38,498.98)	19,412.16	—	-13,602.60
	(14,043.57)	(-18192.09)	(20,864.26)	(—)	(16,715.74)

Business Segment	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Operations	Total
Unallocated Income(+)/Expenses(-) - net #.					(1,925.64)
					(-1860.58)
Profit before tax #					(15,528.24)
					(14,855.16)
Tax #.					(8,980.79)
					(4,371.06)
Extraordinary Profit #					Nil
					Nil
Net Profit #					(6,547.45)
					(10,484.10)
Other Information:					
Segment Assets *	1,089,553.51	1,011,026.98	1,322,851.33	—	3,423,431.82
	(804,449.56)	(931,293.68)	(954,597.65)	(—)	(2,690,340.89)
Unallocated Assets *					31,320.18
					(15,625.41)
Total Assets*.					3,454,752.00
					(2,705,966.30)
Segment Liabilities *.	819,731.87	1,048,664.62	1,311,134.57	—	3,179,531.06
	(608,747.16)	(844,527.74)	(997,848.30)	(—)	(2,451,123.20)
Unallocated Liabilities*. . .					56,092.38
					(66,557.04)
Total Liabilities *					3,235,623.44
					(2,517,680.24)

(Figures in brackets are for previous year)

Part B: Secondary (Geographic Segments)

(₹ in crore)

	Domestic		Foreign		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Revenue (before exceptional items) # . .	248,361.36	200,296.31	11,302.47	10,682.86	259,663.83	210,979.17
Net Profit#	(7,891.83)	7,637.52	1,344.38	2,846.58	(6,547.45)	10,484.10
Assets *	3,069,761.21	2,345,534.83	384,990.79	360,431.47	3,454,752.00	2,705,966.30
Liabilities*	2,850,632.65	2,157,248.77	384,990.79	360,431.47	3,235,623.44	2,517,680.24

For the year ended 31st March, 2018

* As at 31st March, 2018

d) Accounting Standard — 18 "Related Party Disclosures"

1. Related Parties

A. SUBSIDIARIES

i. FOREIGN BANKING SUBSIDIARIES

1. Commercial Indo Bank LLC, Moscow
2. Bank SBI Botswana Limited
3. SBI Canada Bank
4. State Bank of India (California)
5. State Bank of India (UK) Limited
6. SBI (Mauritius) Ltd.
7. PT Bank SBI Indonesia
8. Nepal SBI Bank Ltd.

ii. DOMESTIC NON-BANKING SUBSIDIARIES

1. SBI Capital Markets Ltd.
2. SBICAP Securities Ltd.
3. SBICAP Trustee Company Ltd.
4. SBICAP Ventures Ltd.
5. SBI DFHI Ltd.
6. SBI Global Factors Ltd.
7. SBI Infra Management Solutions Pvt. Ltd.
8. SBI Mutual Fund Trustee Company Pvt. Ltd.
9. SBI Payment Services Pvt. Ltd.

10. SBI Pension Funds Pvt. Ltd.

11. SBI Life Insurance Company Ltd.

12. SBI General Insurance Company Ltd.

13. SBI Cards and Payment Services Pvt. Ltd.

14. SBI Business Process Management Services Pvt. Ltd. (formerly known as GE Capital Business Process Management Services Pvt. Ltd) w.e.f. 15.12.2017

15. SBI — SG Global Securities Services Pvt. Ltd.

16. SBI Funds Management Pvt. Ltd.

17. SBI Foundation

iii. FOREIGN NON-BANKING SUBSIDIARIES

1. SBICAP (Singapore) Ltd.

2. SBICAP (UK) Ltd.

3. SBI Funds Management (International) Pvt. Ltd.

4. State Bank of India Servicos Limitada

5. Nepal SBI Merchant Banking Limited

B. JOINTLY CONTROLLED ENTITIES

1. C-Edge Technologies Ltd.

2. GE Capital Business Process Management Services Pvt. Ltd (upto 14.12.2017)

3. SBI Macquarie Infrastructure Management Pvt. Ltd.

4. SBI Macquarie Infrastructure Trustee Pvt. Ltd.

5. Macquarie SBI Infrastructure Management Pte. Ltd.

6. Macquarie SBI Infrastructure Trustee Ltd.

7. Oman India Joint Investment Fund — Management Company Pvt. Ltd.

8. Oman India Joint Investment Fund — Trustee Company Pvt. Ltd.

9. Jio Payments Bank Ltd.

C. ASSOCIATES

i. Regional Rural Banks

1. Andhra Pradesh Grameena Vikas Bank

2. Arunachal Pradesh Rural Bank

3. Chhattisgarh Rajya Gramin Bank
4. Ellaquai Dehati Bank
5. Langpi Dehangi Rural Bank
6. Madhyanchal Gramin Bank
7. Meghalaya Rural Bank
8. Mizoram Rural Bank
9. Nagaland Rural Bank
10. Purvanchal Bank
11. Saurashtra Gramin Bank
12. Utkal Grameen Bank
13. Uttarakhand Gramin Bank
14. Vananchal Gramin Bank
15. Rajasthan Marudhara Gramin Bank
16. Telangana Grameena Bank
17. Kaveri Grameena Bank
18. Malwa Gramin Bank

ii. Others

1. SBI Home Finance Ltd. (under liquidation)
2. The Clearing Corporation of India Ltd.
3. Bank of Bhutan Ltd.

D. KEY MANAGEMENT PERSONNEL OF THE BANK

1. Shri Rajnish Kumar, Chairman (w.e.f. 07.10.2017)
2. Smt Arundhati Bhattacharya, Chairman (up to 06.10.2017)
3. Shri Rajnish Kumar, Managing Director (National Banking Group) (up to 06.10.2017)
4. Shri P. K. Gupta, Managing Director (Retail & Digital Banking)
5. Shri Dinesh Kumar Khara, Managing Director (Risk, IT & Subsidiaries)
6. Shri B. Sriram, Managing Director (Corporate & Global Banking)

2. **Parties with whom transactions were entered into during the year**

No disclosure id required in respect of related parties, which are "State-controlled" as per paragraph 9 of Accounting Standard (AS) 18. Further, in terms of paragraph 5 of AS 18, transactions in the nature of Banker-Customer relationship have not been disclosed including those with Key Management Personnel and relatives of Key Management Personnel.

3. **Transactions and Balances**

(₹ in crore)

Particulars	Associates/ Joint Ventures	Key Management Personnel & their relatives	Total
Outstanding as at 31st March			
Borrowings	Nil	Nil	Nil
	(Nil)	(Nil)	(Nil)
Deposit	44.22	Nil	44.22
	(14.91)	(Nil)	(14.91)
Other Liabilities	Nil	Nil	Nil
	(Nil)	(Nil)	(Nil)
Balance with Banks	Nil	Nil	Nil
	(Nil)	(Nil)	(Nil)
Advance	Nil	Nil	Nil
	(Nil)	(Nil)	(Nil)
Investment	67.66	Nil	67.66
	(81.15)	(Nil)	(81.15)
Non-fund commitments (LCs/BGs)	Nil	Nil	Nil
	(Nil)	(Nil)	(Nil)
Maximum outstanding during the year			
Borrowings	Nil	Nil	Nil
	(Nil)	(Nil)	(Nil)
Deposit	205.68	Nil	205.68
	(29.17)	(Nil)	(29.17)
Other Liabilities	Nil	Nil	Nil
	(Nil)	(Nil)	(Nil)
Balance with Banks	Nil	Nil	Nil
	(Nil)	(Nil)	(Nil)
Advance	Nil	Nil	Nil
	(Nil)	(Nil)	(Nil)
Investment	77.10	Nil	77.10
	(81.15)	(Nil)	(81.15)
Non-fund commitments (LCs/BGs)	Nil	Nil	Nil
	(Nil)	(Nil)	(Nil)
During the year ended 31st March			
Interest Income	Nil	Nil	Nil
	(Nil)	(Nil)	(Nil)
Interest expenditure	0.09	Nil	0.09
	(0.18)	(Nil)	(0.18)
Income earned by way of dividend	29.24	Nil	29.24
	(33.83)	(Nil)	(33.83)
Other Income	Nil	Nil	Nil
	(Nil)	(Nil)	(Nil)
Other expenditure	7.66	Nil	7.66

(₹ in crore)

Particulars	Associates/ Joint Ventures	Key Management Personnel & their relatives	Total
	(Nil)	(Nil)	(Nil)
Profit/(Loss) on sale of land/building and other assets	Nil	Nil	Nil
	(Nil)	(Nil)	(Nil)
Management contracts	Nil	2.05	2.05
	(Nil)	(1.39)	(1.39)

Figures in brackets are for Previous Year.

There are no materially significant related party transactions during the year.

e) Accounting Standard — 19 "Leases"

Premises taken on operating lease are given below:

Operating leases primarily comprise office premises and staff residences, which are renewable at the option of the Bank.

(i) Liability for Premises taken on Non-Cancellable operating lease are given below

(₹ in crore)

Particulars	As at 31st March, 2018	As at 31st March, 2017
Not later than 1 year	163.35	282.78
Later than 1 year and not later than 5 years	535.88	1,145.19
Later than 5 years	246.15	303.09
Total	**945.38**	**1,731.06**

(ii) Amount of lease payments recognised in the P&L Account for operating leases is ₹ 3,244.23 crore (₹ 2,582.72 crore)

f) Accounting Standard -20 "Earnings per Share"

The Bank reports basic and diluted earnings per equity share in accordance with Accounting Standard 20 —"Earnings per Share". "Basic earnings" per share is computed by dividing net profit after tax by the weighted average number of equity shares outstanding during the year.

(₹ in crore)

Particulars Basic and diluted	Current Year	Previous Year
Number of Equity Shares outstanding at the beginning of the year	7,973,504,442	7,762,777,042
Number of Equity Shares issued during the year	951,083,092	210,727,400
Number of Equity Shares outstanding at the end of the year	8,924,587,534	7,973,504,442
Weighted average number of equity shares used in computing basic earnings per share	8,533,051,135	7,803,767,851
Weighted average number of shares used in computing diluted earnings per share	8,533,051,135	7,803,767,851
Net profit/(loss) (₹ in crore)	(6,547.45)	10,484.10
Basic earnings per share (₹)	(7.67)	13.43
Diluted earnings per share (₹)	(7.67)	13.43
Nominal value per share (₹)	1	1

g) **Accounting Standard — 22 "Accounting for Taxes on Income"**

a. **Current Tax:-**

During the year the Bank has debited to Profit & Loss Account ₹ 673.54 crore (Previous Year ₹ 4,165.83 crore) on account of current tax. The Current Tax in India has been calculated in accordance with the provisions of Income Tax Act 1961 after taking appropriate relief for taxes paid in foreign jurisdictions.

b. **Deferred Tax:-**

During the year, ₹ 9,654.33 crore has been credited to Profit and Loss Account (Previous Year ₹ 337.78 crore debited) on account of deferred tax.

The Bank has a net DTA of ₹ 11,365.99 crore (Previous Year net DTL of ₹ 2,561.87 crore), which comprises of DTL of ₹ 2.80 crore (Previous Year ₹ 2989.77 crore) included under 'Other Liabilities and Provisions' and Deferred Tax Assets (DTA) of ₹ 11,368.79 crore (Previous Year ₹ 427.90 crore) included under 'Other Assets'. The major components of DTA and DTL is given below:

(₹ in crore)

Particulars	As at 31st March, 2018	As at 31st March, 2017
Deferred Tax Assets (DTA)		
Provision for long term employee Benefits	3,454.26	2,332.20
Provision for advances $	4,197.64	2,564.22
Provision for Other Assets/Other Liability	743.57	724.65
Amortisation of Discount	—	2.26
On Accumulated losses (including erstwhile ABs)	13,862.05	—
On account of Foreign Offices	317.04	427.91
Total	**22,574.56**	**6,051.24**
Deferred Tax Liabilities (DTL)		
Depreciation on Fixed Assets	83.36	219.73
Interest accrued but not due on Securities	6,315.01	4,305.62
Special Reserve created u/s 36(1)(viii) of Income Tax Act 1961	4,690.10	3,522.29
On account of Foreign Offices	2.80	2.19
On Foreign Currency Translation Reserve	117.30	563.28
Total	**11,208.57**	**8,613.11**
Net Deferred Tax Assets/(Liabilities)	**11,365.99**	**(2,561.87)**

$ During the year, the Bank has recognized Deferred Tax Asset, on provision for standard assets as per IRAC norms, amounting to ₹ 2,461.40 crore which was hitherto not considered for Deferred Tax Asset with consequential effect on the results for the year.

h) **Accounting Standard — 27 "Financial Reporting of interests in Joint Ventures"**

Investments include ₹ 67.66 crore (Previous Year ₹ 78.17 crore) representing Bank's interest in the following jointly controlled entities

Sr. No	Name of the Company	Amount ₹ in crore	Country of Residence	Holding %
1	C - Edge Technologies Ltd.	4.90 (4.90)	India	49%
2	SBI Macquarie Infrastructure Management Pvt. Ltd.	18.57 (18.57)	India	45%
3	SBI Macquarie Infrastructure Trustee Pvt. Ltd.	0.03 (0.03)	India	45%
4	Maquarie SBI Infrastructure Management Pte. Ltd.	2.25 (2.25)	Singapore	45%
5	Macquarie SBI Infrastructure Trustee Ltd.#	— (1.07)	Bermuda	45%
6	Oman India Joint Investment Fund — Management Company Pvt. Ltd.	2.30 (2.30)	India	50%
7	Oman India Joint Investment Fund Trustee Company Pvt.. Ltd.	0.01 (0.01)	India	50%
8	Jio Payments Bank	39.60 (39.60)	India	30%

\# Indirect holding through Maquarie SBI Infra Management Pte. Ltd., against which the company has made 100% provision on investments made upto 31st March, 2017.

(Figures in brackets relate to previous year)

During the year the Bank increased its stake from 40% to 74% in GE Capital Business Process Management Ltd.. Consequent to increase, it became subsidiary of the Bank from Jointly controlled entity.

As required by AS 27, the aggregate amount of the assets, liabilities, income, expenses, contingent liabilities and commitments related to the Bank's interests in jointly controlled entities are disclosed as under:

(₹ in crore)

Particulars	As at 31st March, 2018	As at 31st March, 2017
Liabilities		
Capital & Reserves	153.26	230.72
Deposits	—	—
Borrowings	0.60	9.93
Other Liabilities & Provisions	53.57	118.74
Total	**207.43**	**359.39**
Assets		
Cash and Balances with RBI	0.02	0.02
Balances with Banks and money at call and short notice	68.86	139.84
Investments	49.47	54.65
Advances	—	—
Fixed Assets	8.91	44.68
Other Assets	80.17	120.20
Total	**207.43**	**359.39**
Capital Commitments	—	—
Other Contingent Liabilities	1.28	1.52
Income		
Interest earned	4.13	9.14
Other income	184.18	366.32
Total	**188.31**	**375.46**
Expenditure		
Interest expended	0.23	0.71
Operating expenses	119.34	299.69
Provisions & contingencies	20.24	23.91
Total	**139.81**	**324.31**
Profit	**48.50**	**51.15**

i) Accounting Standards — 28 "Impairment of Assets"

In the opinion of the Bank's Management, there is no indication of impairment to the assets during the year to which Accounting Standard 28 —"Impairment of Assets" applies.

j) Accounting Standard — 29 "Provisions, Contingent Liabilities and Contingent Assets"

Description of Contingent liabilities:

Sr. No.	Particulars	Brief Description
1	Claims against the Bank not acknowledged as debts	The Bank is a party to various proceedings in the normal course of business. The Bank does not expect the outcome of these proceedings to have a material adverse effect on the Bank's financial conditions, results of operations or cash flows. The Bank is also a party to various taxation matters in respect of which appeals are pending.
2	Liability on partly paid-up investments/Venture Funds	This item represents amounts remaining unpaid towards liability for partly paid investments. This also includes undrawn commitments for Venture Capital Funds.
3	Liability on account of outstanding forward exchange contracts	The Bank enters into foreign exchange contracts in its normal course of business to exchange currencies at a pre-fixed price at a future date. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. The notional amounts are recorded as Contingent Liabilities. With respect to the transactions entered into with its customers, the Bank generally enters into off-setting transactions in the interbank market. This results in generation of a higher number of outstanding transactions, and hence a large value of gross notional principal of the portfolio, while the net market risk is lower.
4	Guarantees given on behalf of constituents, acceptances, endorsements and other obligations	As a part of its commercial Banking activities, the Bank issues documentary credits and guarantees on behalf of its customers. Documentary credits enhance the credit standing of the customers of the Bank. Guarantees generally represent irrevocable assurances that the Bank will make payment in the event of the customer failing to fulfil its financial or performance obligations.
5	Other items for which the Bank is contingently liable.	The Bank enters into currency options, forward rate agreements, currency swaps and interest rate swaps with inter- Bank participants on its own account and for customers. Currency swaps are commitments to exchange cash flows by way of interest/principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. The notional amounts that are recorded as Contingent Liabilities, are typically amounts used as a benchmark for the calculation of the interest component of the contracts. Further, these also include estimated amount of contracts remaining to be executed on capital account and not provided for, letter of comforts issued by the Bank on behalf of Associates & Subsidiaries, Bank's Liability under Depositors Education and Awareness Fund A/c and other sundry contingent liabilities.

The Contingent Liabilities mentioned above are dependent upon the outcome of Court/arbitration/out of Court settlements, disposal of appeals, the amount being called up, terms of contractual obligations, devolvement and raising of demand by concerned parties, as the case may be.

k) Movement of provisions against Contingent Liabilities

(₹ in crore)

Particulars	Current Year	Previous Year
Opening balance	423.34	401.10
Additions during the year including receipt from erstwhile ABs and BMBL on acquisition	705.60	98.27
Amount utilised during the year	227.64	2.10
Unused amount reversed during the year	398.14	73.93
Closing balance	503.16	423.34

18.10. Additional Disclosures

1. Provisions and Contingencies

(₹ in crore)

Break up of "Provisions and Contingencies" shown under head Expenditure in Profit and loss account	Current Year	Previous Year
Provision for Taxation		
— Current Tax	673.54	4,165.83
— Deferred Tax	-9,654.33	337.78
— Write Back of Income Tax	—	-132.54
Provision for Depreciation on Investments	8,087.58	298.39
Provision on Non- Performing Assets	71,374.22	32,905.63
Provision on Restructured Assets	-693.99	-658.94
Provision on Standard Assets	-3,603.66	2,499.64
Other Provisions	-124.95	948.00
Total	**66,058.41**	**40,363.79**

2. Floating Provisions

(₹ in crore)

Particulars	Current Year	Previous Year
Opening Balance	25.14	25.14
Addition during the year including receipt from erstwhile ABs and BMBL on acquisition	168.61	—
Draw down during the year	—	—
Closing Balance	**193.75**	**25.14**

3. Draw down from Reserves

During the year, no draw down has been made from reserves.

4. Status of complaints

A. Customer complaints (including complaints relating to ATM transactions)

Particulars	As at 31st March, 2018	As at 31st March, 2017
No. of complaints pending at the beginning of the year	46,282	15,335
No. of complaints received during the year including receipt from erstwhile ABs and BMBL on acquisition	2,159,700	1,468,471
No. of complaints redressed during the year	2,126,723	1,437,524
No. of complaints pending at the end of the year	79,259	46,282

Does not include complaints redressed within one working day.

B. Awards passed by the Banking Ombudsman

Particulars	Current Year	Previous Year
No. of unimplemented Awards at the beginning of the year	3	—
No. of Awards passed by the Banking Ombudsman during the year . . .	78	42
No. of Awards implemented during the year	73	39
No. of unimplemented Awards at the end of the year.	8	3

5. Payment to Micro, Small & Medium Enterprises under the Micro, Small & Medium Enterprises Development Act, 2006

There has been no reported cases of delayed payments of the principal amount or interest due thereon to Micro, Small & Medium Enterprises.

6. Letter of Comfort

The Bank has not issued any letter of comfort which are not recorded as contingent liabilities during the year ended 31st March, 2018 and 31st March, 2017.

7. Provisioning Coverage Ratio (PCR):

The Provisioning to Gross Non-Performing Assets ratio of the Bank as on 31st March, 2018 is 66.17 % (Previous Year 65.95%).

8. Fees/remuneration received in respect of the Bancassurance Business

(₹ in crore)

Name of the Company	Current Year	Previous Year
SBI Life Insurance Co. Ltd.	714.75	491.55
SBI General Insurance Co. Ltd..	212.57	107.20
NTUC and Manu Life Financial Limited	1.05	0.86
Tokio Marine and ACE	0.32	0.05
Unit Trust	0.26	0.04
AIA Singapore.	0.07	0.14
TOTAL.	**929.02**	**599.84**

9. Concentration of Deposits, Advances, Exposures & NPAs (computed as per directions of RBI)

a) Concentration of Deposits

(₹ in crore)

Particulars	Current Year	Previous Year
Total Deposits of twenty largest depositors	119,585.93	124,740.17
Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank	4.42%	6.10%

b) Concentration of Advances

(₹ in crore)

Particulars	Current Year	Previous Year
Total Advances to twenty largest borrowers	195,211.00	182,031.00
Percentage of Advances to twenty largest borrowers to Total Advances of the Bank	7.91%	11.19%

c) Concentration of Exposures

(₹ in crore)

Particulars	Current Year	Previous Year
Total Exposure to twenty largest borrowers/customers	365,809.00	398,050.00
Percentage of Exposures to twenty largest barrowers/customers to Total Exposure of the Bank on borrowers/customers	12.11%	14.67%

d) Concentration of NPAs

(₹ in crore)

Particulars	Current Year	Previous Year
Total Exposure to top four NPA accounts	38,239.70	21,901.53

10. Sector —wise Advances

(₹ in crore)

		Current Year			Previous year		
Sr. No.	Sector	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A	**Priority Sector**						
1	Agriculture & allied activities	188,502.88	20,964.77	11.12	130,231.77	7,354.64	5.65
2	Industry (Micro & Small, Medium and Large)	99,386.61	16,020.84	16.12	78,050.67	11,536.03	14.78
3	Services	74,363.81	7,339.66	9.87	53,723.75	2,378.55	4.43
4	Personal Loans	104,507.85	3,332.33	3.19	89,888.59	972.64	1.08
	Sub-total (A)	466,761.15	47,657.60	10.21	351,894.78	22,241.86	6.32
B	**Non Priority Sector**						
1	Agriculture & allied activities	3,753.61	301.93	8.04	2,692.79	99.26	3.69
2	Industry (Micro & Small, Medium and Large)	906,557.34	162,784.99	17.96	789,932.27	82,086.39	10.39
3	Services	220,925.77	9,264.85	4.19	170,032.85	6,704.73	3.94
4	Personal Loans	450,389.43	3,418.09	0.76	312,724.85	1,210.75	0.39
	Sub-total (B)	1,581,626.15	175,769.86	11.11	1,275,382.76	90,101.13	7.06
C	**Total (A+B)**	**2,048,387.30**	**223,427.46**	**10.91**	**1,627,277.54**	**112,342.99**	**6.90**

11. Overseas Assets, NPAs and Revenue

(₹ in crore)

Sr. No.	Particulars No.	Current Year	Previous Year
1	Total Assets	384,990.79	360,431.47
2	Total NPAs (Gross)	7,199.29	6,794.16
3	Total Revenue	11,302.47	10,682.86

12. Off-balance Sheet SPVs sponsored

	Name of the SPV Sponsored	
	Domestic	Overseas
Current Year	NIL	NIL
Previous Year	NIL	NIL

13. Disclosure relating to Securitisation

(₹ in crore)

Sr. No.	Particulars Number	Amount	Current Year Number	Amount	Previous Year
1.	No. of the SPVs sponsored by the Bank for securitization transactions	Nil	Nil	Nil	Nil
2.	Total amount of securitized assets as per the books of the SPVs sponsored by the bank	Nil	Nil	Nil	Nil
3.	Total amount of exposures retained by the bank to comply with MMR as on the date of balance sheet	Nil	Nil	Nil	Nil
	a) Off-balance sheet exposures				
	i. First Loss				
	ii. Others				
	b) On-balance sheet exposures				
	i. First Loss				
	ii. Others				
4.	Amount of exposures to securitisation transactions other than MMR	Nil	Nil	Nil	Nil
	a) Off-balance sheet exposures				
	i. Exposures to own securitisations				
	1. First Loss				
	2. Others				
	ii. Exposures to third party securitisations				
	1. First Loss				
	2. Others				
	b) On-balance sheet exposures				
	i. Exposures to own securitisations				
	1. First Loss				
	2. Others				
	ii. Exposures to third party securitisations				
	1. First Loss				
	2. Others				

14. Credit Default Swaps

(₹ in crore)

Sr. No.	Particulars	Current Year: As Protection Buyer	Current Year: As Protection Seller	Previous Year: As Protection Buyer	Previous Year: As Protection Seller
1.	No. of transactions during the year	Nil	Nil	Nil	Nil
	a of which transactions that are/may be physically settled				
	b cash settled				
2.	Amount of protection bought/sold during the year	Nil	Nil	Nil	Nil
	a of which transactions which are/may be physically settled				
	b cash settled				
3.	No. of transactions where credit event payment was received/made during the year . .	Nil	Nil	Nil	Nil
	a pertaining to current year's transactions				
	b pertaining to previous year(s)' transactions				
4.	Net income/profit (expenditure/loss) in respect of CDS transactions during year-to-date:	Nil	Nil	Nil	Nil
	a premium paid/received				
	b Credit event payments:				
	• made (net of the value of assets realised)				
	• received (net of value of deliverable obligation)				
5.	Outstanding transactions as on March 31:	Nil	Nil	Nil	Nil
	a No. of Transactions				
	b Amount of protection				
6.	Highest level of outstanding transactions during the year: . . .	Nil	Nil	Nil	Nil
	a No. of Transactions (as on 1st April)				
	b Amount of protection (as on 1st April)				

15. Intra-Group Exposures:

(₹ in crore)

Sr. No.	Particulars No.	Current Year	Previous Year
i	Total amount of intra-group exposures	25,469.43	23,296.28
ii	Total amount of top-20 intra-group exposures	25,469.43	23,296.28
iii	Percentage of intra-group exposures to total exposure of the bank on borrowers/customers	0.84%	0.86%
iv	Details of breach of limits on intra-group exposures and regulatory action thereon	Nil	Nil

16. Unclaimed Liabilities transferred to Depositor Education and Awareness Fund (DEAF)

(₹ in crore)

Particulars	Current Year	Previous Year
Opening balance of amounts transferred to DEAF	1,081.42	880.92
Add: Amounts transferred to DEAF during the year including receipt from erstwhile ABs and BMBL on acquisition	1,050.31	201.64
Less: Amounts reimbursed by DEAF towards claims	6.11	1.14
Closing balance of amounts transferred to DEAF	2,125.62	1,081.42

17. Unhedged Foreign Currency Exposure

The Bank in accordance with RBI Circular No. DBOD.No.BP. BC.85/21.06.200/2013-14 dated January 15, 2014 on 'Capital and Provisioning Requirements for Exposure to entities has provided for Unhedged Foreign Currency Exposure'.

An amount of ₹ 86.44 crore (Previous Year ₹ 110.74 crore) was held as on 31st March 2018 for towards Currency Induced Credit Risk and Capital allocated for Currency Induced Credit Risk amounting to ₹ 66.49 crore (Previous Year ₹ 246.98 crore).

18. Liquidity Coverage Ratio (LCR):

a) Standalone LCR

Liquidity Coverage Ratio (LCR) standard has been introduced with the objective that a bank maintains an adequate level of unencumbered High Quality Liquid Assets (HQLAs) that can be converted into cash to meet its liquidity needs for a 30 calendar day time horizon under a significantly severe liquidity stress scenario.

LCR has been defined as: $$\frac{\text{Stock of high quality liquid assets (HQLAs)}}{\text{Total net cash outflow over the next 30 calendar days}}$$

Liquid assets comprise of high quality assets that can be readily encashed or used as collateral to obtain cash in a range of stress scenarios. There are two categories of assets included in the stock of HQLAs, viz. Level 1 and Level 2 assets. While Level 1 assets are with 0% haircut, Level 2A and Level 2 B assets are with 15% and 50% haircuts respectively. The total net cash outflow is the total expected cash outflows minus total expected cash inflows for the subsequent 30 calendar days. Total expected cash outflows are calculated by multiplying the outstanding balances of various categories or types of liabilities and off-balance sheet commitments by the rates at which they are expected to run off or be drawn down. Total expected cash inflows are calculated by multiplying the outstanding balances of various categories of contractual receivables by the rates at which they are expected to flow in up to an aggregate cap of 75% of total expected cash outflows.

Quantitative Disclosure:
Liquidity Coverage Ratio

State Bank of India (₹ in crore)

LCR COMPONENTS	Quarter ended March 31, 2018 Total Unweighted Value (Average)	Quarter ended March 31, 2018 Total Weighted Value (Average)	Quarter ended December 31, 2017 Total Unweighted Value (Average)	Quarter ended December 31, 2017 Total Weighted Value (Average)	Quarter ended September 30, 2017 Total Unweighted Value (Average)	Quarter ended September 30, 2017 Total Weighted Value (Average)	Quarter ended June 30, 2017 Total Unweighted Value (Average)	Quarter ended June 30, 2017 Total Weighted Value (Average)	Quarter ended March 31, 2017 Total Unweighted Value (Average)	Quarter ended March 31, 2017 Total Weighted Value (Average)
HIGH QUALITY LIQUID ASSETS (HQLA)										
1 Total High Quality Liquid Assets (HQLA)		674,894		672,029		658,888		619,383		510,555
CASH OUTFLOWS										
2 Retail Deposits and deposits from small business customers, of which:										
(i) Stable deposits	278,238	13,912	290,650	14,532	243,833	12,192	234,526	11,726	190,776	9,539
(ii) Less Stable Deposits.	1,751,396	175,140	1,724,041	172,404	1,727,038	172,704	1,680,569	168,057	1,327,592	132,759
3 Unsecured wholesale funding, of which:										
(i) Operational deposits(all counterparties)	63	16	13	3	0	0	1	0	0	0
(ii) Non-operational deposits(all counterparties)	556,336	327,440	545,715	325,181	561,715	334,075	581,337	340,759	470,093	282,965
(iii) Unsecured debt	0	0	0	0	0	0	0	0	0	0
4 Secured wholesale funding	30,025	0	29,234	0	7,885	0	3,520	0	3,687	0
5 Additional requirements, of which										
(i) Outflows related to derivative exposures and other collateral requirements	150,911	150,911	150,497	150,497	140,940	140,940	151,397	151,397	126,314	126,314
(ii) Outflows related to loss of funding on debt products	0	0	0	0	0	0	0	0	0	0
(iii) Credit and liquidity facilities	43,416	6,376	48,665	7,254	41,979	6,888	59,524	8,219	78,531	10,964
6 Other contractual funding obligations	39,838	39,838	29,400	29,400	33,360	33,360	28,623	28,623	22,157	22,157
7 Other contingent funding obligations	563,500	20,659	563,395	20,686	527,855	19,084	551,619	19,851	465,170	16,683
8 TOTAL CASH OUTFLOWS	3,413,722	734,290	3,381,610	719,957	3,284,604	719,243	3,291,115	728,632	2,684,321	601,381
CASH INFLOWS										
9 Secured lending (eg. Reverse repos)	7,075	0	6,743	0	53,171	0	54,138	0	50,698	0
10 Inflows from fully performing exposures	220,510	202,086	226,044	207,518	227,422	209,011	237,759	214,036	235,209	213,985
11 Other cash inflows	38,779	28,758	39,193	28,656	47,814	36,762	38,784	29,302	40,317	32,989
12 TOTAL CASH INFLOWS	266,364	230,844	271,980	236,174	328,407	245,773	330,681	243,338	326,224	246,974
13 TOTAL HQLA		674,894		672,029		658,888		619,383		510,555
14 TOTAL NET CASH OUTFLOWS		503,446		483,783		473,470		485,294		354,407
15 LIQUIDITY COVERAGE RATIO(%)		134.05%		138.91%		139.16%		127.63%		144.06%

Note 1: In accordance with RBI Circular No. RBI/2014-15/529 DBR. No. BP.BC.80/21.06.201/2014-15 dated March 31, 2015 guidelines, average weighted and unweighted amounts have been calculated considering simple daily average from 1st January 2017 and taking 66 data points for the quarter January-March 2018.

Note 2: Bank has automated computation of Domestic LCR since 1st March 2018.

Note 3: LCR position for the quarter ended March 31, 2017 is based on figures of SBI stand alone basis i.e. excluding figures of erstwhile Associate Banks, which have merged with SBI on 1st April 2017.

The LCR position is above the minimum 90% prescribed by RBI. Bank's LCR comes to 134.05% based on daily average of three months (Q4 FY17-18). The average HQLA for the quarter was ₹ 674,894 crore, of which, Level 1 assets constituted 93.58% of total HQLA. Government securities constituted 96.92% of Total Level 1 Assets. Level 2A Assets constitutes 5.39% of total HQLA and Level 2B assets constitutes 1.03% of total HQLA. The net cash outflow position has slightly gone up on account of decrease in receivable RBI/Central Bank. Derivative exposures are considered insignificant due to almost matching inflows and outflows position. During the quarter, LCR for US$ (significant Foreign Currency constituting more than 5% of the Balance Sheet of the Bank) was 77.98% on average.

Liquidity Management in the Bank is driven by the ALM Policy of the Bank and regulatory prescriptions. The Domestic and International Treasuries are reporting to the Asset Liability Management Committee (ALCO). The ALCO has been empowered by the Bank's Board to formulate the Bank's funding strategies to ensure that the funding sources are well diversified and is consistent with the operational requirements of the Bank. All the major decisions of ALCO are being reported to the Bank's Board periodically. In addition to daily/monthly LCR reporting, Bank prepares daily Structural Liquidity statements to assess the liquidity needs of the Bank on an ongoing basis.

The Bank has been maintaining HQLA mainly in the form of SLR investments over and above the mandatory requirements. Retail deposits constitute major portion of total funding sources, which are well diversified. Management is of the view that the Bank has sufficient liquidity cover to meet its likely future short term requirements.

b. Consolidated LCR

The RBI through a supplementary guideline issued on March 31, 2015 had stipulated the implementation of LCR at a consolidated level from January 1, 2016. Accordingly, SBI Group has been computing the Consolidated LCR.

The entities covered in the Group LCR are State Bank of India and the seven Overseas Banking Subsidiaries: Bank SBI Botswana Ltd, Commercial Indo Bank LLC, Moscow, Nepal SBI Bank Ltd., State Bank of India (California), SBI Canada Bank, SBI (Mauritius) Ltd, and PT Bank SBI Indonesia.

SBI Group LCR comes out to 134.01% as on 31st March, 2018 based on average of three months January, February and March 2018.

Liquidity Coverage Ratio

State Bank of India Group **(₹ in crore)**

LCR Components	Quarter ended March, 2018 Total Unweighted Value (Average)	Quarter ended March, 2018 Total Weighted Value (Average)	Quarter ended December 31, 2017 Total Unweighted Value (Average)	Quarter ended December 31, 2017 Total Weighted Value (Average)	Quarter ended September 30, 2017 Total Unweighted Value (Average)	Quarter ended September 30, 2017 Total Weighted Value (Average)	Quarter ended June 30, 2017 Total Unweighted Value (Average)	Quarter ended June 30, 2017 Total Weighted Value (Average)	Quarter ended March 31, 2017 Total Unweighted Value (Average)	Quarter ended March 31, 2017 Total Weighted Value (Average)
1 Total High Quality Liquid Assets(HQLA)		677,442		676,830		660,869		624,950		640,508
Cash Outflows										
2 Retail Deposits and deposits from small business customers, of which:										
(i) Stable deposits	280,782	14,039	292,752	14,638	246,200	12,310	236,582	11,830	241,589	12,079
(ii) Less Stable Deposits.	1,758,364	175,836	1,731,413	173,141	1,734,387	173,439	1,688,268	168,827	1,704,999	170,500
3 Unsecured wholesale funding, of which:										
(i) Operational deposits(all counterparties)	177	44	113	28	89	22	79	19	59	15
(ii) Non-operational deposits(all counterparties)	558,884	329,566	543,376	326,347	563,068	335,048	582,760	341,749	586,666	336,902
(iii) Unsecured debt	0	0	0	0	0	0	0	0	7,456	7,456
4 Secured wholesale funding	30,209	184	29,738	0	7,981	96	3,621	101	3,709	1,236
5 Additional requirements, of which										
(i) Outflows related to derivative exposures and other collateral requirements	150,912	150,912	150,499	150,499	140,940	140,940	151,400	151,400	154,037	154,119
(ii) Outflows related to loss of funding on debt products	0	0	0	0	0	0	0	0	0	0
(iii) Credit and liquidity facilities	44,693	6,877	49,790	7,734	43,110	7,359	60,948	8,777	104,556	12,695
6 Other contractual funding obligations	40,639	40,639	30,292	30,292	34,352	34,352	29,411	29,411	28,620	28,620
7 Other contingent funding obligations	565,427	20,718	565,264	20,743	529,544	19,137	546,593	19,900	540,151	19,328
8 TOTAL CASH OUTFLOWS	3,430,087	738,817	3,396,878	723,422	3,299,670	722,703	3,299,662	732,014	3,371,843	742,951
Cash Inflows										
9 Secured lending(eg. Reverse repos)	7,076	1	6,745	1	53,173	1	54,139	0	60,900	0
10 Inflows from fully performing exposures	223,818	203,448	228,905	208,493	230,026	209,832	240,145	215,072	278,044	249,098
11 Other cash inflows	39,889	29,867	39,611	29,075	48,819	37,767	40,470	30,989	65,560	56,743
12 Total Cash Inflows	270,783	233,316	275,261	237,568	332,019	247,600	334,754	246,061	404,503	305,841
13 TOTAL HQLA		677,442		676,830		660,869		624,950		640,508
14 TOTAL NET CASH OUTFLOWS		505,501		485,854		475,103		485,953		437,110
15 LIQUIDITY COVERAGE RATIO(%)		134.01%		139.30%		139.10%		128.60%		146.53%

Note 1: Monthly average of 3 months data considered for Overseas Banking Subsidiaries and daily average considered for SBI(Solo).

Note 2: State Bank of India (UK) Ltd. has not been included as it started operations on 02.04.2018.

The Group has been maintaining HQLA mainly in the form of SLR investments over and above the mandatory requirements. Retail deposits constitute major portion of total funding sources, and such funding sources are well diversified. Management is of the view that the Bank has sufficient liquidity cover to meet its likely future short term requirements.

19. Fraud Reported and provision made during the year:

Out of the total frauds of ₹ 2,532.24 crore in 1,789 cases (Previous year ₹ 2,424.74 crore in 837 cases) reported during the year, an amount of ₹ 2,359.61 crore in 539 cases (Previous year ₹ 2,360.37 crore in 278 cases) represents advances declared as frauds. Full provision has been made for the frauds reported during the year.

20. Inter Office Accounts

Inter Office Accounts between branches, controlling offices, local head offices and corporate centre establishments are being reconciled on an ongoing basis and no material effect is expected on the profit and loss account of the current year.

21. Sale of Assets to Reconstruction Companies

Shortfall on account of sale of assets to reconstruction companies during the year amounting to ₹ 9.07 crore (Previous Year ₹ 48.59 crore) has been fully charged in the current year.

22. MSME Borrowers

In accordance with RBI vide circular no. DBR.No.BP. BC.100/21.04.048/2017-18 dated 7th February 2018, on “Relief for MSME borrowers registered under Goods and Service Tax (GST)” the Bank has classified 11,398 accounts of the borrowers having outstanding balance of ₹ 320.15 crore as standard accounts on 31st March 2018.

23. Priority Sector Lending Certificate (PSLC)

The Bank has purchased the following PSLCs during the year:-

(₹ in crore)

Sr. No.	Category	Amount
1.	PSLC Micro Enterprises	350.00
2.	PSLC Agriculture	100.00
3.	PSLC General	33,485.00
4.	PSLC Small and Marginal Farmers	1,664.00
	Total	**35,599.00**

The Bank did not sell any PSLC during the year ended 31st March 2018

24. Counter Cyclical Provisioning Buffer (CCPB)

RBI vide Circular No. DBR.No.BP.BC.79/21.04.048/2014-15 dated March 30, 2015 on ‘Utilisation of Floating Provisions/Counter Cyclical Provisioning Buffer’ has allowed the banks, to utilise up to 50 per cent of CCPB held by them as on December 31, 2014, for making specific provisions for Non-Performing Assets (NPAs) as per the policy approved by the Bank’s Board of Directors.

During the year, the Bank has not utilized the CCPB for making specific provision for NPAs.

25. Food Credit

In accordance with RBI instruction, the Bank has made a provision of 7.5% amounting to ₹ 285.31 crore (Previous Year ₹ 856 crore) against outstanding in the long term food credit advance to a State Government.

26. Reversal of Revaluation Reserve of Bank's Leasehold Properties:

In compliance with the RBI instructions, the Bank has reversed the effect of revaluation amounting to ₹ 11,210.94 crore made in earlier periods in the value of certain leasehold properties, which has resulted in write back of depreciation earlier charged amounting to ₹ 193.24 crore.

27. Acquisition of Erstwhile Domestic Banking subsidiaries (DBS) & Bharatiya Mahila Bank Limited

a) The Government of India has accorded sanction under sub- section (2) of section 35 of the State Bank of India Act, 1955, for acquisition of five domestic banking subsidiaries (DBS) of SBI namely (i) State Bank of Bikaner & Jaipur (SBBJ), (ii) State Bank of Mysore (SBM), (iii) State Bank of Travancore (SBT), (iv) State Bank of Patiala (SBP), (v) State Bank of Hyderabad (SBH) and for acquisition of Bharatiya Mahila Bank Limited (BMBL) (hereinafter collectively referred to as Transferor Banks) vide orders dated February 22, 2017 and March 20, 2017. As per GOI orders these schemes of acquisition shall come into effect from April 01, 2017 (hereafter referred to as the effective date).

As per the said scheme, the undertakings of the Transferor Banks which shall be deemed to include all business, assets, liabilities, reserves and surplus, present or contingent and all other rights and interest arising out of such property as were immediately before the effective date in the ownership, possession or power of the Transferor Banks shall be transferred to and will vest in SBI (hereinafter referred to as Transferee Bank) on and from the effective date.

b) The eligible shareholders of the merged entities were allotted shares of SBI, as mentioned below.

Name of the Transferor Banks	Share exchange ratio/Issued
State Bank of Bikaner and Jaipur (SBBJ)	28 shares of face value ₹ 1 each of SBI for every 10 shares of SBBJ of face value ₹ 10 each fully paid up aggregating to 48,854,308 shares of face value ₹ 1 each of SBI.
State Bank of Mysore (SBM)	22 shares of face value of ₹ 1 each for every 10 shares of SBM of face value ₹ 10 each fully paid up aggregating to 10,558,379 shares of face value ₹ 1 each of SBI.
State Bank of Travancore (SBT)	22 shares of face value of ₹ 1 each for every 10 shares of SBT of face value of ₹ 10 each fully paid up aggregating to 32,708,543 shares of face value ₹ 1 each of SBI.
Bharatiya Mahila Bank Limited (BMBL)	44,231,510 shares of face value of ₹ 1 each for 1,000,000,000 shares of BMBL of face value of ₹ 10 each fully paid up.

Further, SBI has paid cash in respect of entitlements to fraction of equity shares wherever so determined. In respect of State Bank of Patiala (SBP) and State Bank of Hyderabad (SBH) which were wholly owned entities, entire share capital of those banks were cancelled against the investments held in those entities.

c) The merger of DBS & BMBL with SBI, has been accounted under the 'pooling of interest' method as per Accounting Standard 14 (AS 14), "Accounting for amalgamation" and the approved Scheme of Acquisition. Pursuant thereto, all assets and liabilities amounting to ₹ 11,314.75 crore (net) of the transferor Banks have been recorded in the books of SBI at their existing carrying amounts as on effective date, in consideration for 136,352,740 shares of face value of ₹ 1 each of SBI and ₹ 0.25 crore paid in cash towards fractional entitlements as stated above and SBI's investments in e-DBS on effective date stands cancelled. The net difference between share capital of transferor banks of e-DBS & BMBL and corresponding investments by SBI and cash in lieu of fractional entitlement of shares have been transferred to Capital Reserve. The net assets taken over on amalgamation are as under:

Particulars	**e-SBBJ**	**e-SBH**	**e-SBM**	**e-SBP**	**e-SBT**	**e-BMB**	**Total**
Assets taken over							
Cash & balances with RBI	8,596.66	7,328.66	4,669.93	5,242.96	6,858.88	46.64	32,743.73
Balances with Banks & Money at Call & Short Notice	2,002.50	21,453.95	19,167.30	73.59	23,347.74	635.11	66,680.19
Investments	34,922.37	43,628.77	23,861.63	32,706.10	40,777.06	707.62	176,603.55
Advances	64,830.01	79,375.57	34,474.63	70,018.98	48,617.57	567.49	297,884.25
Fixed Assets	1,353.65	1,662.33	1,532.58	1,420.45	995.82	22.68	6,987.51
Other Assets	4,558.73	9,598.12	5,261.05	13,367.08	5,176.53	50.94	38,012.45
Total Assets (A)	**116,263.92**	**163,047.40**	**88,967.12**	**122,829.16**	**125,773.60**	**2,030.48**	**618,911.68**
Liabilities taken over							
Reserves & Surplus	4,070.33	8,377.94	2,766.44	1,858.95	2,554.84	—	19,628.50
Deposits	104,008.73	141,898.94	78,474.22	100,794.63	114,688.90	975.77	540,841.19
Borrowings	1,553.75	5,619.05	2,648.52	4,071.60	3,035.00	—	16,927.92
Other Liabilities & Provisions	4,378.86	6,783.92	4,072.09	11,244.88	3,700.24	19.33	30,199.32
Total Liabilities (B)	**114,011.67**	**162,679.85**	**87,961.27**	**117,970.06**	**123,978.98**	**995.10**	**607,596.93**
Net Assets taken over (A-B)	**2,252.25**	**367.55**	**1,005.85**	**4,859.10**	**1,794.62**	**1,035.38**	**11,314.75**
Net difference between share capital of e-DBS & BMBL and corresponding investments by SBI	17.44	—	4.79	—	14.88	1,000.01	1,037.12
Less:							
(a) 136,352,740 shares of face value of ₹ 1 each issued by SBI as consideration	4.88	—	1.05	—	3.28	4.43	13.64
(b) Cash in lieu of fractional entitlement of shares	0.12	—	0.09	—	0.04	—	0.25
Difference transferred to Capital Reserve	**12.44**	**—**	**3.65**	**—**	**11.56**	**995.58**	**1,023.23**

28. a) On April 18, 2017, RBI through its circular advised that the provisioning rates prescribed as per the prudential norms circular are the regulatory minimum and banks are encouragedtomakeprovisionsathigherratesinrespectof advances to stressed sectors of the economy. Accordingly, during the year, the Bank as per its Board approved policy made additional general provision amounting to ₹ 74.66 crore on standard loans to borrowers.

    b) RBI vide letter DBR.No.BP.8756/21.04.048/2017-18 dated 2nd April 2018, the provisioning requirements in respects of NCLT accounts is reduced from 50% of secured portion to 40% of secured portion as at 31st March 2018. Based on the prospects of recovery the bank has availed the relaxation in a few accounts.

29. mRBI vide letter RBI 2017-18/131/DBR.No.BP.BC.101/21.04.048/2017-18 dated February 12, 2018, issued a Revised Framework for Resolution of Stressed Assets, which superseded the existing guidelines on CDR,SDR, change in ownership outside SDR, Flexible Structuring of Existing Long term project loans (5/25 Scheme) and S4A with immediate effect. Under the revised framework, the stand-still benefits for accounts where any of these schemes had been invoked but not yet implemented were revoked and accordingly these accounts have been classified as per the extant RBI prudential norms on Income Recognition and Asset Classification.

30. The bank has made an adhoc provision of ₹ 1,659.41 crore towards arrears of wages due for revision w.e.f 1st November 2017.

31. Profit/(loss) on sale of investment (net) under Schedule 14 "Other Income" includes ₹ 5,436.17 crore on sale of partial investment in SBI Life Insurance Company Limited.

32. (a) The results for the year ended 31st March, 2018 include the result of operations of the erstwhile Associate Banks (ABs) & Bharatiya Mahila Bank Limited (BMBL) for the period from 1st April 2017 to the year end. Hence, the results of the Bank are not comparable to that of the corresponding previous year.

(b) Previous year figures have been regrouped/reclassified, wherever necessary, to confirm to current year classification. In cases where disclosures have been made for the first time in terms of RBI guidelines/Accounting Standards, previous year's figures have not been mentioned.

INDEPENDENT AUDITOR'S REPORT

To,
The Board of Directors,
State Bank of India,
Corporate Centre,
State Bank Bhavan, Mumbai

Report on the Consolidated Financial Statements

1. We have audited the accompanying Consolidated Financial Statements of State Bank of India (the "Bank") and its Subsidiaries, Joint Ventures and Associates (the "Group") [The entities of the Group whose Financial Statements are included in the Consolidated Financial Statements are listed in Schedule 18 - Notes to Accounts - which forms part of the Consolidated Financial Statements of the Group] which comprise the Consolidated Balance Sheet as at March 31, 2017, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

2. The Management of State Bank of India is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the requirements of the Accounting Standard 21 — "Consolidated Financial Statements", Accounting Standard 23 — "Accounting for Investment in Associates in Consolidated Financial Statements" and Accounting Standard 27 — " Financial Reporting of Interest in Joint Ventures" issued by the Institute of Chartered Accountants of India, the requirements of Reserve Bank of India, the State Bank of India Act, 1955 and other accounting principles generally accepted in India. This responsibility of the management of State Bank of India includes the design, implementation and maintenance of internal controls and risk management systems relevant to the preparation and presentation of the consolidated financial statements of the SBI Group that give a true and fair view and are free from material misstatement, whether due to fraud or error. We are informed that the management of the individual entities of the group have implemented such internal controls and risk management systems that are relevant to the preparation of the financial statements and the designed procedures that are appropriate in the circumstances so that the internal controls with regard to all the activities of the SBI Group are effective. These statements have been prepared on the basis of separate financial statements and other financial information regarding components,

Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation of consolidated financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the

Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the management of the entities of the Group, as well as evaluating the overall presentation of the consolidated financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, and based on our consideration of the reports of other auditors on separate financial statements of Subsidiaries, Joint Ventures and Associates, the unaudited financial statements and the other financial information of a subsidiary and certain associates as furnished by the Management, the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2017;

   (b) in the case of the Consolidated Profit and Loss Account, of the consolidated profit of the Group for the year ended on that date; and

   (c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

Other Matters

7. Incorporated in these consolidated financial statements are the:

   (a) Audited accounts of the Bank audited by 14 (fourteen) Joint Auditors including us which reflect total assets of INR 2,705,787 crores as at March 31, 2017, total revenue of INR 210,979 crores, and net cash inflows amounting to INR 4,504 Crores for the year then ended;

   (b) Audited accounts of 31 (thirty one) Subsidiaries, 9 (nine) Joint Ventures and 19 (nineteen) Associates audited by other auditors whose financial statements reflects the Group's share in total assets of INR 762,739 Crores as at March 31, 2017, the Group's share in total revenue of INR 90,993 Crores, the Group's share in net cash inflows amounting to INR 65,231 Crores, and the Group's share in profit from associates of INR 274 Crores for the year then ended;

   (c) Unaudited accounts of 1 (one) Subsidiary and 1 (one) Associates whose financial statements reflect total assets of INR 4,726 Crores as at March 31, 2017, total revenue of INR165 Crores, net cash outflows amounting to INR 130 Crores and the Group's share in profit from associates of INR 19 Crores for the year then ended.

   These financial statements and other financial information have been furnished to us by the management. Our opinion, in so far as it relates to the affairs of such subsidiaries, joint ventures and associates, is based solely on the report of the other auditors and unaudited financial statements referred to above.

8. The auditors of SBI Life Insurance Company Ltd., a subsidiary of the Group have reported that the actuarial valuation of liabilities for life policies in force is the responsibility of the Company's Appointed Actuary (the "Appointed Actuary"). The actuarial valuation of these liabilities for life policies in force and for policies in respect of which the premium has been discontinued but liability exists as at 31 March 2017 has been duly certified by the Appointed Actuary and in his opinion, the assumptions for such valuation are in accordance with the guidelines and norms issued by the Insurance Regulatory and Development Authority of India ("IRDAI / "Authority"") and the Institute of Actuaries of India in concurrence with the Authority. We have relied upon the Appointed Actuary's certificate in this regard for forming our opinion on the valuation of liabilities for life policies in force and for policies in respect of which premium has been discontinued but liability exists on standalone financial statements of the Company.

Our opinion is not modified in respect of these matters.

For Varma & Varma
Chartered Accountants
FRN 004532S

Cherian K Baby
Partner
M No.016043

Place: Kolkata
Date: 19th May 2017

STATE BANK OF INDIA
CONSOLIDATED BALANCE SHEET AS ON MARCH 31, 2017

(000s omitted)

	Schedule No.	As on 31.03.2017 (Current Year)	As on 31.03.2016 (Previous Year)
		₹	₹
CAPITAL AND LIABILITIES			
Capital	1	7,973,504	7,762,777
Reserves & Surplus	2	2,163,947,986	1,798,160,885
Minority Interest		64,806,458	62,674,044
Deposits	3	25,998,106,619	22,538,575,644
Borrowings	4	3,363,656,648	3,613,993,905
Other Liabilities and Provisions	5	2,852,724,387	2,713,664,227
TOTAL		**34,451,215,602**	**30,734,831,482**
ASSETS			
Cash and Balances with Reserve Bank of India	6	1,610,186,107	1,604,245,691
Balances with Banks and Money at Call & Short Notice	7	1,121,785,446	441,348,964
Investments	8	10,272,808,690	8,073,745,830
Advances	9	18,968,868,201	18,702,608,928
Fixed Assets	10	509,407,377	152,556,828
Other Assets	11	1,968,159,781	1,760,325,241
TOTAL		**34,451,215,602**	**30,734,831,482**
Contingent Liabilities	12	11,849,078,179	11,842,013,424
Bills for Collection		777,270,590	1,066,116,761
Significant Accounting Policies	17		
Notes to Accounts	18		

Schedules referred to above form an integral part of the Balance Sheet

STATE BANK OF INDIA
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH 2017

(000s omitted)

		Schedule No.	Year ended 31.03.2017 (Previous Year)	Year ended 31.03.2016 (Previous Year)
			₹	₹
I.	**INCOME**			
	Interest earned	13	2,304,474,917	2,206,327,466
	Other Income	14	681,929,620	528,283,855
	TOTAL		**2,986,404,537**	**2,734,611,321**
II.	**EXPENDITURE**			
	Interest expended	15	1,491,146,740	1,430,473,565
	Operating expenses	16	872,900,701	743,071,720
	Provisions and contingencies		626,263,825	433,633,129
	TOTAL		**2,990,311,266**	**2,607,178,414**
III.	**PROFIT**			
	Net Profit for the year (before adjustment for Share in Profit of Associates and Minority Interest)		(3,906,729)	127,432,907
	Add: Share in Profit of Associates		2,932,842	2,758,161
	Less: Minority Interest		(3,386,212)	7,945,118
	Net Profit for the Group		2,412,325	122,245,950
	Profit Brought forward		32,798,329	26,158,762
	TOTAL		**35,210,654**	**148,404,712**
IV.	**APPROPRIATIONS**			
	Transfer to Statutory Reserves		32,543,578	37,094,337
	Transfer to Other Reserves		21,102,156	53,886,806
	Dividend for the previous year paid during the year (including Tax on Dividend)		—	80
	Final Dividend for the year		21,085,629	20,183,220
	Tax on Dividend		3,879,687	4,441,940
	Balance carried over to Balance Sheet		(43,400,396)	32,798,329
	TOTAL		**35,210,654**	**148,404,712**
	Basic Earnings per Share		₹0.31	₹15.95
	Diluted Earnings per Share		₹0.31	₹15.95
	Significant Accounting Policies	17		
	Notes to Accounts	18		

Schedules referred to above form an integral part of the Profit & Loss Account

STATE BANK OF INDIA

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2017

(000s omitted)

PARTICULARS		Year ended 31.03.2017	Year ended 31.03.2016
		₹	₹
Cash flow from operating activities			
Net Profit before taxes (including share in profit from associates and net of minority interest)		15,767,382	176,580,916
Adjustments for :			
Depreciation on Fixed Assets		29,146,843	22,522,053
(Profit)/Loss on sale of Fixed Assets (Net)		438,146	210,523
(Profit)/Loss on sale of Investments in Subsidiaries/JVs/Associates		(15,870,192)	(118,566)
(Profit)/Loss on revaluation of Investments (Net)		—	1,516,743
Provision for diminution in fair value & Non Performing Assets		559,167,512	351,111,868
Provision on Standard Assets		21,916,266	22,842,168
Provision for depreciation on Investments		17,219584	3,209,640
Other Provisions including provision for contingencies		14,605,404	2,134,487
Share in Profit of Associates		(2,932,842)	(2,758,161)
Dividend from Associates		(38,550)	(75,234)
Interest on Capital Instruments		52,960,256	47,978,672
SUB TOTAL		**692,379,809**	**625,155,109**
Adjustments for :			
Increase/(Decrease) in Deposits		3,459,530,975	2,008,967,756
Increase/(Decrease) in Borrowings other than Capital Instruments		(227,437,732)	1,105,975,639
(Increase)/Decrease in Investments other than Investment in Subsidiary and Associates		(2,213,338,662)	(1,353,505,844)
(Increase)/Decrease in Advances		(825,426,786)	(2,131,607,455)
Increase/(Decrease) in Other Liabilities & Provisions		107,893,461	377,865,108
(Increase)/Decrease in Other Assets		(205,761,756)	(384,360,012)
Reduction in FCTR on disposal of investments in non-integral operations		—	(8,739,235)
SUB TOTAL		**787,839,309**	**239,751,066**
Tax refund / (Taxes paid)		(13,779,339)	(94,984,283)
Net cash generated from / (used in) operating activities	**(A)**	**774,059,970**	**144,766,783**
Cash flow from investing activities			
(Increase)/Decrease in Investments in Subsidiary and Associates		(10,940)	876,764
Profit/(Loss) on sale of Investments in Subsidiaries/JVs/Associates		15,870,192	118,566
Dividend from Associates		38,550	75,234
(Increase)/Decrease in Fixed Assets		(44,237,061)	(37,756,116)
(Increase)/Decrease in Goodwill on Consolidation		18,036	—
Net Cash generated from / (used in) investing activities	**(B)**	**(28,321,223)**	**(36,685,552)**
Cash flow from financing activities			
Proceeds from issue of equity shares including share premium		56,748,291	53,844,957
Increase/(Decrease) in Capital Instruments		(22,899,525)	61,383,595
Interest on Capital Instruments		(52,960,256)	(47,978,672)

SCHEDULES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

Schedule 1 - Capital

(000s omitted)

	As on 31.03.2017 (Current Year)	As on 31.03.2016 (Previous Year)
	₹	₹
Authorised Capital: 5000,00,00,000 equity shares of ₹ 1 /- each (Previous Year 5000,00,00,000 equity shares of ₹ 1/- each) . . .	50,000,000	50,000,000
Issued Capital : 797,43,25,472 equity shares of ₹ 1/- each (Previous Year 776,35,98,072 equity shares of ₹ 1/- each)	7,974,325	7,763,598
Subscribed and Paid up Capital : 797,35,04,442 equity shares of ₹ 1/- each (Previous Year 776,27,77,042 equity shares of ₹ 1/- each) [The above includes 12,70,16,300 equity shares of ₹ 1/- each (Previous Year 14,45,93,240 equity shares of ₹ 1/- each) represented by 1,27,01,630 (Previous Year 1,44,59,324) Global Depository Receipts\]	7,973,504	7,762,777
TOTAL	7,973,504	7,762,777

Schedule 2 - Reserves & Surplus

(000s omitted)

		As on 31.03.2017 (Current Year)		As on 31.03.2016 (Previous Year)	
		₹		₹	
I.	**Statutory Reserves**				
	Opening Balance	614,991,634		577,897,297	
	Additions during the year. . . .	32,543,578		37,094,337	
	Deductions during the year	—	647,535,212	—	614,991,634
II.	**Capital Reserves#**				
	Opening Balance	33,541,948		28,160,026	
	Additions during the year. . . .	18,922,633		5,382,031	
	Deductions during the year	3582	52,460,999	109	33,541,948
III.	**Share Premium**				
	Opening Balance	497,694,771		414,446,860	
	Additions during the year. . . .	56,599,272		83,334,499	
	Deductions during the year	61707	554,232,336	86,588	497,694,771
IV.	**Foreign Currency Translation Reserves**				
	Opening Balance	68,136,299		67,657,093	
	Additions during the year. . . .	220,980		9,379,719	
	Deductions during the year	17618078	50,739,201	8,900,513	68,136,299
V.	**Revaluation Reserve**				
Opening Balance		13,740,337		—	
Additions during the year. . . .		345,587,773		13,740,337	
Deductions during the year		3,389,297	355,938,813	—	13,740,337

(000s omitted)

		As on 31.03.2017 (Current Year)		As on 31.03.2016 (Previous Year)	
		₹		₹	
VI.	**Revenue and Other Reserves**				
	Opening Balance	537,257,567		492,089,659	
	Additions during the year##	9,608,892		48,853,661	
	Deductions during the year	424,638	546,441,821	3,685,753	537,257,567
VII.	**Balance of Profit and Loss Account**		(43,400,396)		32,798,329
	TOTAL		**2,163,947,986**		**1,798,160,885**

Includes Capital Reserve on consideration ₹ 242,83,39 thousand (Previous Year ₹ 242,83,39 thousands)

net of consolidation adjustments

Schedule 3 - Deposits

(000s omitted)

			As on 31.03.2017 (Current Year)	As on 31.03.2016 (Previous Year)
			₹	₹
A.	**I.**	**Demand Deposits**		
		(i) From Banks	69,918,091	67,408,818
		(ii) From Others	1,818,908,978	1,639,389,129
	II.	**Savings Bank Deposits**	9,473,617,112	7,449,087,455
	III.	**Term Deposits**		
		(i) From Banks	198,489,766	90,822,840
		(ii) From Others	14,437,172,672	13,291,867,402
	TOTAL		**25,998,106,619**	**22,538,575,644**
B	(i)	Deposits of Branches in India	24,913,696,212	21,439,720,039
	(ii)	Deposits of Branches outside India	1,084,410,407	1,098,855,605
	TOTAL		**25,998,106,619**	**22,538,575,644**

Schedule 4 - Borrowings

(000s omitted)

	As on 31.03.2017 (Current Year)		As on 31.03.2016 (Previous Year)	
		₹		₹
I. Borrowings in India				
(i) Reserve Bank of India		50,000,000		1,065,767,900
(ii) Other Banks		43,761,742		36,867,687
(iii) Other Institutions and Agencies		719,126,274		105,475,098
(iv) Capital Instruments :				
a. Innovative Perpetual Debt Instruments (IPDI)	115,050,000		38,497,260	
b. Subordinated Debt & Bonds	420,707,640	535,757,640	538,736,380	577,233,640
TOTAL		**1,348,645,656**		**1,785,344,325**
II. Borrowings outside India				
(i) Borrowings and Refinance outside India		1,954,399,742		1,786,614,805
(ii) Capital Instruments :				
a. Innovative Perpetual Debt. Instruments (IPDI)	59,986,250		41,409,375	
b. Subordinated Debt & Bonds	625,000	60,611,250	625,400	42,034,775
TOTAL		**2,015,010,992**		**1,828,649,580**
GRAND TOTAL (I & II)		**3,363,656,648**		**3,613,993,905**
Secured Borrowings included in I & II above		794,268,927		1,167,764,733

Schedule 5 - Other Liabilities & Provisions

(000s omitted)

	As on 31.03.2017 (Current Year)	As on 31.03.2016 (Previous Year)
	₹	₹
I. Bills payable	310,166,309	233,357,269
II. Inter Bank Adjustments (net)	1,001,715	2,379,252
III. Inter Office adjustments (net)	363,423,483	374,194,502
IV. Interest accrued	156,643,219	298,330,428
V. Deferred Tax Liabilities (net)	33,620,495	29,308,861
VI. Liabilities relating to Policyholders in Insurance Business	967,974,957	786,682,579
VII. Others (including provisions)	1,019,894,209	989,411,336
TOTAL	**2,852,724,387**	**2,713,664,227**

Schedule 6 - Cash and Balances with Reserve Bank of India

(000s omitted)

		As on 31.03.2017 (Current Year)	As on 31.03.2016 (Previous Year)
		₹	₹
I.	Cash in hand (including foreign currency notes and gold)	149,422,580	177,870,259
II.	Balances with Reserve Bank of India		
	(i) In Current Account	1,460,763,527	1,426,375,432
	(ii) In Other Accounts	—	—
	TOTAL	**1,610,186,107**	**1,604,245,691**

Schedule 7 - Balances With Banks and Money at Call & Short Notice

(000s omitted)

		As on 31.03.2017 (Current Year)	As on 31.03.2016 (Previous Year)
		₹	₹
I.	**In India**		
	(i) Balances with banks		
	(a) In Current Accounts	3,650,331	2,880,140
	(b) In Other Deposit Accounts	437,073,740	21,706,423
	(ii) Money at call and short notice		
	(a) With banks	300,015,304	41,222,944
	(b) With other institutions	194,550	379,735
	TOTAL	**740,933,925**	**66,189,242**
II.	**Outside India**		
	(i) In Current Accounts	249,583,027	269,118,769
	(ii) In Other Deposit Accounts	47,200,393	15,714,656
	(iii) Money at call and short notice	84,068,101	90,326,297
	TOTAL	**380,851,521**	**375,159,722**
	GRAND TOTAL (I and II)	**1,121,785,446**	**441,348,964**

Schedule 8 - Investments

		(000s omitted)
	As on 31.03.2017 (Current Year)	As on 31.03.2016 (Previous Year)
	₹	₹
I. Investments in India in :		
(i) Government Securities	7,782,103,755	6,350,752,422
(ii) Other approved securities	74,234,357	37,598,059
(iii) Shares	301,560,839	229,219,908
(iv) Debentures and Bonds	849,540,186	613,725,222
(v) Subsidiary and Associates	27,311,594	24,560,815
(vi) Others (Units of Mutual Funds, Commercial Papers etc.)	813,821,101	415,256,815
TOTAL	**9,848,571,832**	**7,671,113,241**
II. Investments outside India in :		
(i) Government Securities (including local authorities)	109,269,252	122,918,627
(ii) Associates	1,105,619	912,616
(iii) Other Investments (Shares, Debentures etc.)	313,861,987	278,801,346
TOTAL	**424,236,858**	**402,632,589**
GRAND TOTAL (I and II)	**10,272,808,690**	**8,073,745,830**
III. Investments in India :		
(i) Gross Value of Investments	9,878,354,802	7,689,017,204
(ii) Less: Aggregate of Provisions / Depreciation	29,782,970	17,903,963
(iii) Net Investments (vide I above)	9,848,571,832	7,671,113,241
IV. Investments outside India :		
(i) Gross Value of Investments	425,244,577	403,608,374
(ii) Less: Aggregate of Provisions / Depreciation	1,007,719	975,785
(iii) Net Investments (vide II above)	424,236,858	402,632,589
GRAND TOTAL (III and IV)	**10,272,808,690**	**8,073,745,830**

Schedule 9 - Advances

			As on 31.03.2017 (Current Year)	As on 31.03.2016 (Previous Year)
			(000s omitted)	
			₹	₹
A.	I.	Bills purchased and discounted	793,906,001	1,059,043,341
	II.	Cash credits, overdrafts and loans repayable on demand	7,532,286,148	7,681,390,240
	III.	Term loans	10,642,676,052	9,962,175,347
	TOTAL		**18,968,868,201**	**18,702,608,928**
B.	I.	Secured by tangible assets (includes advances against Book Debts)	14,958,993,242	14,494,641,129
	II.	Covered by Bank/ Government Guarantees	824,095,015	654,072,851
	III.	Unsecured	3,185,779,944	3,553,894,948
	TOTAL		**18,968,868,201**	**18,702,608,928**
C.	I.	Advances in India		
		(i) Priority Sector	4,710,768,362	4,750,380,097
		(ii) Public Sector	1,318,848,737	1,631,260,225
		(iii) Banks	26,417,442	25,417,587
		(iv) Others	9,930,051,278	9,526,333,109
	TOTAL		**15,986,085,819**	**15,933,391,018**
II.	Advances outside India			
	(i)	Due from banks	878,926,943	717,507,287
	(ii)	Due from others		
		(a) Bills purchased and discounted	117,192,254	152,989,544
		(b) Syndicated loans	1,050,522,985	922,394,949
		(c) Others	936,140,200	976,326,130
	TOTAL		**2,982,782,382**	**2,769,217,910**
	GRAND TOTAL [C (I) and C (II)]		**18,968,868,201**	**18,702,608,928**

Schedule 10 - Fixed Assets

				(000s omitted)
	As on 31.03.2017 (Current Year)		**As on 31.03.2016 (Previous Year)**	
	₹		₹	
I. Premises				
At cost as on 31st March of the preceding year	65,051,356		46,721,665	
Additions:				
- during the year	10,483,609		3,670,563	
- for Revaluation	345,587,773		14,683,064	
Deductions during the year	47,079		23,936	
Depreciation to date				
- on cost	7,312,894		6,298,093	
- on Revaluation	3,848,711	409,914,054	425,095	58,328,168
II. Other Fixed Assets (including furniture and fixtures)				
At cost as on 31st March of the preceding year	257,468,421		231,923,420	
Additions during the year	33,395,538		30,567,625	
Deductions during the year	5,735,187		5,022,624	
Depreciation to date	192,696,313	92,432,459	171,259,543	86,208,878
III. Leased Assets				
At cost as on 31st March of the preceding year	1,225,166		3,298,342	
Additions during the year	93,935		20,922	
Deductions during the year	145,220		2,094,098	
Depreciation to date (including provision)	1,015,140		1,015,299	
	158,741		209,867	
Less : Lease Adjustment Account	47,045	111,696	47,045	162,822
IV. Assets under Construction (Including Premises)		6,949,168		7,856,960
TOTAL		**509,407,377**		**152,556,828**

Schedule 11 - Other Assets

			(000s omitted)
		As on 31.03.2017 (Current Year)	**As on 31.03.2016 (Previous Year)**
		₹	₹
I.	Inter Office adjustments (net)	47,711,877	27,001,271
II.	Interest accrued	256,110,579	214,284,787
III.	Tax paid in advance / tax deducted at source	122,951,988	156,973,141
IV.	Stationery and Stamps	1,330,128	1,404,846
V.	Non-banking assets acquired in satisfaction of claims	341,997	522,086
VI.	Deferred tax assets (net)	49,233,787	11,616,636
VII.	Deposits placed with NABARD/SIDBI/NHB etc. for meeting shortfall in priority sector lending	677,097,152	600,471,638
VIII.	Others #	813,382,273	748,050,836
	TOTAL	**1,968,159,781**	**1,760,325,241**

Includes Goodwill on consolidation ₹ 9,434,150 thousand (Prevous Year ₹ 9,452,186 thousand)

Schedule 12 - Contingent Liabilities

(000s omitted)

		As on 31.03.2017 (Current Year)	As on 31.03.2016 (Previous Year)
		₹	₹
I.	Claims against the group not acknowledged as debts	331,453,629	160,607,990
II.	Liability for partly paid investments / Venture Funds	6,033,511	1,578,411
III.	Liability on account of outstanding forward exchange contracts	6,566,253,339	6,558,999,645
IV.	Guarantees given on behalf of constituents		
	(a) In India	1,604,341,071	1,645,155,751
	(b) Outside India	750,985,400	880,842,047
V.	Acceptances, endorsements and other obligations	1,179,163,853	1,311,602,360
VI.	Other items for which the group is contingently liable	1,410,847,376	1,283,227,220
	TOTAL	**11,849,078,179**	**11,842,013,424**
	Bills for collection	777,270,590	1,066,116,761

Schedule 13 - Interest Earned

(000s omitted)

		Year Ended 31.03.2017 (Current Year)	Year Ended 31.03.2016 (Previous Year)
		₹	₹
I.	Interest / discount on advances/ bills	1,567,904,800	1,570,017,481
II.	Income on Investments	642,013,745	564,621,973
III.	Interest on balances with Reserve Bank of India and other inter-bank funds	25,915,708	11,122,409
IV.	Others	68,640,664	60,565,603
	TOTAL	**2,304,474,917**	**2,206,327,466**

Schedule 14 - Other Income

(000s omitted)

		Year Ended 31.03.2017 (Current Year)	Year Ended 31.03.2016 (Previous Year)
		₹	₹
I.	Commission, exchange and brokerage	197,010,346	176,624,676
II.	Profit / (Loss) on sale of investments (Net)	137,784,277	64,605,231
III.	Profit / (Loss) on revaluation of investments (Net)	—	(1,516,743)
IV.	Profit /(Loss) on sale of land, building and other assets including leased assets (net)	(438,146)	(210,523)
V.	Profit / (Loss) on exchange transactions (Net)	27,921,863	22,263,864
VI.	Dividends from Associates in India/ abroad	38,550	75,234
VII.	Income from Finance Lease	—	—
VIII.	Credit Card membership/ service fees	14,158,943	9,810,893
IX.	Insurance Premium Income (net)	222,438,301	166,368,772
X.	Recoveries made in Write-o? Accounts	40,908,993	33,520,243
XI.	Miscellaneous Income	42,106,493	56,742,208
	TOTAL	**681,929,620**	**528,283,855**

Schedule 15 - Interest Expended

		Year Ended 31.03.2017 (Current Year)	Year Ended 31.03.2016 (Previous Year)
			(000s omitted)
		₹	₹
I.	Interest on Deposits	1,387,867,815	1,324,020,461
II.	Interest on Reserve Bank of India/ Inter-bank borrowings	46,177,707	48,938,334
III.	Others	57,101,218	57,514,770
	TOTAL	**1,491,146,740**	**1,430,473,565**

Schedule 16 - Operating Expenses

		Year Ended 31.03.2017 (Current Year)	Year Ended 31.03.2016 (Previous Year)
			(000s omitted)
		₹	₹
I.	Payments to and provisions for employees	356,912,050	325,255,982
II.	Rent, taxes and lighting	52,709,067	49,397,870
III.	Printing & Stationery	5,443,058	5,116,180
IV.	Advertisement and publicity	6,002,887	6,096,764
V.	(a) Depreciation on Fixed Assets (other than Leased Assets)	29,110,348	22,481,479
	(b) Depreciation on Leased Assets	36,495	40,574
VI.	Directors' fees, allowances and expenses	95,263	77,133
VII.	Auditors' fees and expenses (including branch auditors' fees and expenses)	3,118,232	2,854,065
VIII.	Law charges	4,148,673	3,621,406
IX.	Postages, Telegrams, Telephones, etc.	9,754,405	8,129,181
X.	Repairs and maintenance	8,709,563	7,970,639
XI.	Insurance	24,792,616	22,285,682
XII.	Other Operating Expenses relating to Credit Card Operations	16,556,391	11,632,481
XIII.	Other Operating Expenses relating to Insurance Business	242,288,809	185,202,963
XIV.	Other Expenditure	113,222,844	92,909,321
	TOTAL	**872,900,701**	**743,071,720**

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (CONSOLIDATED) FOR THE YEAR ENDED MARCH 31, 2017

Schedule 17- Significant Accounting Policies:

A. Basis of Preparation:

The accompanying financial statements have been prepared under the historical cost convention, on the accrual basis of accounting on going concern basis, unless otherwise stated and conform in all material aspects to Generally Accepted Accounting Principles (GAAP) in India, which comprise applicable statutory provisions, regulatory norms/guidelines prescribed by the Reserve Bank of India (RBI), Banking Regulation Act, 1949, Insurance Regulatory and Development Authority (IRDA), Pension Fund Regulatory and Development Authority (PFRDA), SEBI (Mutual Funds) Regulations, 1996, Companies Act 2013, Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI), and the prevalent accounting practices in India. In case of foreign entities, Generally Accepted Accounting Principles as applicable to the foreign entities are followed.

B. Use of Estimates:

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as on the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

C. Basis of Consolidation:

1. Consolidated financial statements of the Group **(comprising of 32 subsidiaries, 9 Joint Ventures and 20 Associates)** have been prepared on the basis of:

    a. Audited financial statements of State Bank of India (Parent).

    b. Line by line aggregation of each item of asset/liability/ income/expense of the subsidiaries with the respective item of the Parent, and after eliminating all material intra-group balances/transactions, unrealised profit/loss, and making necessary adjustments wherever required for non-uniform accounting policies as per AS 21 “Consolidated Financial Statements” issued by the ICAI.

    c. Consolidation of Joint Ventures — ‘Proportionate Consolidation’ as per AS 27 “Financial Reporting of Interests in Joint Ventures” issued by the ICAI.

    d. Accounting for investment in ‘Associates’ under the ‘Equity Method’ as per AS 23 “Accounting for Investments in Associates in Consolidated Financial Statements” issued by the ICAI.

    e. In terms of RBI circular on “Strategic Debt Restructuring Scheme”, the controlling interest acquired in entities as part of Strategic Debt Restructuring Scheme is neither considered for consolidation nor such investment is treated as investments in subsidiary/ associate as the control is protective in nature and not participative.

2. The difference between cost to the group of its investment in the subsidiary entities and the group’s portion of the equity of the subsidiaries is recognised in the financial statements as goodwill / capital reserve.

3. Minority interest in the net assets of the consolidated subsidiaries consists of:

    a. The amount of equity attributable to the minority at the date on which investment in a subsidiary is made, and

b. The minority share of movements in revenue reserves/loss (equity) since the date the parent-subsidiary relationship came into existence.

D. Significant Accounting Policies

1. Revenue recognition:

1.1 Income and expenditure are accounted on accrual basis, except otherwise stated. As regards, foreign offices/ entities, income and expenditure are recognised as per the local laws of the country in which the respective foreign offices/entities are located.

1.2 Interest/Discount income is recognised in the Profit and Loss Account as it accrues except (i) income from Non-Performing Assets (NPAs), comprising of advances, leases and investments, which is recognised upon realisation, as per the prudential norms prescribed by the RBI/ respective country regulators in the case of foreign offices/ entities (hereafter collectively referred to as Regulatory Authorities), (ii) overdue interest on investments and bills discounted, (iii) Income on Rupee Derivatives designated as “Trading”, which are accounted on realisation.

1.3 Profit or Loss on sale of investments is recognised in the Profit and Loss Account. However, the profit on sale of investments in the ‘Held to Maturity’ category is appropriated (net of applicable taxes and amount required to be transferred to statutory reserve) to ‘Capital Reserve Account’.

1.4 Income from finance leases is calculated by applying the interest rate implicit in the lease to the net investment outstanding in the lease, over the primary lease period. Leases effective from April 1, 2001 are accounted as advances at an amount equal to the net investment in the lease as per Accounting Standard 19 — “Leases”, issued by ICAI. The lease rentals are apportioned between principal and finance income based on a pattern reflecting a constant periodic return on the net investment outstanding in respect of finance leases. The principal amount is utilized for reduction in balance of net investment in lease and finance income is reported as interest income.

1.5 Income (other than interest) on investments in “Held to Maturity” (HTM) category acquired at a discount to the face value, is recognised as follows:

   i. On Interest bearing securities, it is recognised only at the time of sale/ redemption.

   ii. On zero-coupon securities, it is accounted for over the balance tenor of the security on a constant yield basis.

1.6 Dividend is accounted on an accrual basis where the right to receive the dividend is established.

1.7 All other commission and fee incomes are recognised on their realisation except for (i) Guarantee commission on deferred payment guarantees, which is spread over the period of the guarantee; (ii) Commission on Government Business and ATM interchange fees, which are recognised as they accrue; and (iii) Upfront fees on restructured accounts, which is apportioned over the restructured period.

1.8 One time Insurance Premium paid under Special Home Loan Scheme (December 2008 to June 2009) is amortised over average loan period of 15 years.

1.9 Brokerage, Commission etc. paid/incurred in connection with issue of Bonds/Deposits are amortized over the tenure of the related Bonds/Deposits and the expenses incurred in connection with the issue are charged upfront.

1.10 The sale of NPA is accounted as per guidelines prescribed by RBI:-

i. When the bank sells its financial assets to Securitisation Company (SC)/Reconstruction Company (RC), the same is removed from the books.

ii. If the sale is at a price below the net book value (NBV) (i.e., book value less provisions held), the shortfall is debited to the Profit and Loss Account in the year of sale.

iii. If the sale is for a value higher than the NBV, the excess provision is written back in the year the amounts are received, as permitted by the RBI.

1.11 Non-banking entities:

Merchant Banking:

a. Issue management and advisory fees are recognised as per the terms of the agreement with the client, net of pass-through.

b. Fees for private placement are recognised on completion of assignment.

c. Brokerage income in relation to stock broking activity is recognized on the trade date of transaction and includes stamp duty, transaction charges and is net of scheme incentives paid.

d. Commission relating to public issues is accounted for on finalisation of allotment of the public issue/ receipt of information from intermediary.

e. Brokerage income relating to public issues/mutual fund/other securities is accounted for based on mobilisation and intimation received from clients/ intermediaries.

f. Depository income — Annual Maintenance Charges are recognised on accrual basis and transaction charges are recognised on trade date of transaction.

Asset Management:

a. Management fee is recognised at specific rates agreed with the relevant schemes, applied on the average daily net assets of each scheme (excluding inter-scheme investments, wherever applicable, investments made by the company in the respective scheme and deposits with Banks), and are in conformity with the limits specified under SEBI (Mutual Funds) Regulations, 1996.

b. Income on Portfolio Advisory Services, Portfolio Management Services and Management Fees on Alternative Investment Fund (AIF) are recognised on accrual basis as per the terms of the contract.

c. Recovery, if any, on realisation of devolved investments of schemes acquired by the company, in terms of the right of subrogation, is accounted on the basis of receipts. Recovery from funded guarantee schemes is recognised as income in the year of receipt.

d. Expenses of schemes in excess of the stipulated rates and expenses relating to new fund offer are charged to the Profit and Loss Account in the year in which they are incurred in accordance with the requirements of SEBI (Mutual Funds) Regulations, 1996.

e. Brokerage and/or incentive paid on investments in open-ended Equity Linked Tax Saving Schemes and Systematic Investment Plans (SIPs) are amortised over a period of 36 months and in case of other schemes, over the claw back period. In case of close-ended schemes, brokerage is amortised over the tenure of schemes.

Credit Card Operations:

a. First annual fee and subsequent renewal fee are recognised over a period of one year as this more closely reflects the period to which the fee relates to.

b. Interchange income is recognised on accrual basis.

c. The total unidentified receipts which could not be credited or adjusted in the customers' accounts for lack of complete & correct information is considered as liability in balance sheet. The estimated unidentified receipts aged more than 6 months and up to 3 years towards the written off customers is written back as income on balance sheet date. Further, the unresolved unidentified receipts aged more than 3 years are also written back as income on balance sheet date. The liability for stale cheques aged for more than three years is written back as income.

d. All other service income/fees are recorded at the time of occurrence of the respective events.

Factoring:

Factoring charges are accrued on factoring of debts at the applicable rates as decided by the company. Processing fees are recognised as income only when there is reasonable certainty of its receipt after execution of documents. Facility Continuation fees (FCF) are calculated and charged in the month of May for the entire next financial year on all live standard accounts. 1st of May is deemed as date for accrual of the FCF.

Life Insurance:

a. Premium of non-linked business is recognised as income (net of service tax) when due from policyholders. In respect of linked business, premium income is recognised when the associated units are allotted. In case of Variable Insurance Products (VIPs), premium income is recognised on the date when the Policy Account Value is credited. Uncollected premium from lapsed policies is not recognised as income until such policies are revived.

b. Top-up premiums are considered as single premium.

c. Income from linked funds which includes fund management charges, policy administration charges, mortality charges, etc. are recovered from linked fund in accordance with terms and conditions of policy and recognised when recovered.

d. Realised gain and losses in respect of equity securities and units of mutual funds are calculated as the difference between the net sales proceeds and their cost. In respect of debt securities, the realised gains and losses are calculated as difference between net sale proceeds or redemption proceeds and weighted average amortised cost. Cost in respect of equity shares and units of mutual fund are computed using the weighted average method.

e. Fees received on lending of equity shares under Securities lending and borrowing scheme (SLB) is recognised as income over the period of the lending on straight-line basis.

f. Premium ceded on reinsurance is accounted in accordance with the terms of the re-insurance treaty or in-principle arrangement with the re-insurer.

g. Benefits paid:

- Claims cost consist of the policy benefit amounts and claims settlement costs, where applicable.

- Claims by death and rider are accounted when intimated. Intimations up to the end of the period are considered for accounting of such claims.

- Claims by maturity are accounted on the policy maturity date.

- Survival and Annuity benefits claims are accounted when due.

- Surrenders are accounted as and when intimated. Benefits paid also includes amount payable on lapsed policies which are accounted for as and when due. Surrenders and lapsation are disclosed at net of charges recoverable.

- Repudiated claims disputed before judicial authorities are provided for based on management prudence considering the facts and evidences available in respect of such claims.

- Amountsrecoverable from re-insurers are accounted for in the same period as the related claims and are reduced from claims.

h. Acquisition costs such as commission, medical fees, etc. are costs that are primarily related to the acquisition of new and renewal insurance contracts and are expensed as and when incurred.

i. **Liability for life policies:** The actuarial liability of all the life insurance policies has been calculated by the Appointed Actuary in accordance with the Insurance Act 1938, and as per the rules and regulations and circulars issued by IRDA and the relevant Guidance Notes and/or Actuarial Practice Standards (APS) issued by the Institute of Actuaries of India.

   Non-linked business is reserved using a prospective gross premium valuation method. Mathematical reserves are calculated based on future assumptions having regard to current and future experience. The unit liability in respect of linked business has been taken as the value of the units standing to the credit of the policy holders, using the Net Asset Value (NAV) as on the valuation date. The variable insurance policies (VIPs) have also been valued in a manner similar to the ULIP business by considering liability as the policy account standing to the credit of the policy holders plus additional provisions for adequacy of charges to meet expenses.

General Insurance:

a. Premium including reinsurance accepted is recorded in the books at the commencement of risk. In case the premium is recovered in instalments, amount to the extent of instalment due is recorded on the due date of the instalment. Premium (net of service tax), including reinstatement premium, on direct business and reinsurance accepted, is recognized as income over the contract period or the period of risk, whichever is appropriate, on a gross basis under 1/365 method. Any subsequent revision to premium is recognized over the remaining period of risk or contract period. Adjustments to premium income arising on cancellation of policies are recognised in the period in which they are cancelled.

b. Commission received on reinsurance ceded is recognised as income in the period in which reinsurance risk is ceded. Profit commission under re-insurance treaties, wherever applicable, is recognized as income in the year of final determination of the profits as intimated by Reinsurer and combined with commission on reinsurance ceded.

c. In respect of proportional reinsurance ceded, the cost of reinsurance ceded is accrued at the commencement of risk. Non-proportional reinsurance cost is recognized when due. Non-proportional reinsurance cost is accounted as per the terms of the reinsurance arrangements. Any subsequent revision to, refunds or cancellations of premiums is recognized in the period in which they occur.

d. Reinsurance inward acceptances are accounted for on the basis of returns, to the extent received, from the insurers.

e. Acquisition costs are expensed in the period in which they are incurred. Acquisition costs are defined as costs that vary with, and are primarily related to the acquisition of new and renewal insurance contracts viz. commission, policy issue expenses etc. The primary test for determination as acquisition cost is the obligatory relationship between the costs and the execution of the insurance contracts (i.e. commencement of risk).

f. Claim is recognised by creation of provision for the amount of claim payable as estimated by the management based on available information and past experience, on receipt of claim notification. Such provision is reviewed / modified as appropriate on the basis of additional information as and when available. Provision for claims outstanding payable as on the date of Balance Sheet is net of reinsurance, salvage value and other recoveries as estimated by the management.

g. Provision in respect of claim liabilities that may have been incurred before the end of the accounting year but are

   - not yet reported or claimed (IBNR) or
   - not enough reported i.e. reported with information insufficient for making a reasonable estimate of likely claim amount (IBNER), is the amount determined by the Appointed Actuary based on actuarial principles in accordance with the Actuarial Practice Standards and Guidance Notes issued by the Institute of Actuaries of India and IRDA regulations and guidelines.

Custody & Fund accounting services:

The revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured.

Pension Fund Operation:

Management fee is recognized at specific rates agreed with the relevant schemes, applied on daily net assets of each scheme, and is in conformity with the regulatory guidelines issued by Pension Fund Regulatory and Development Authority (PFRDA). The Company presents revenues net of Service Tax.

Trustee Operations:

Mutual Fund Trusteeship fee is recognised at specific rates agreed with relevant schemes, applied on the average daily Net Assets of each scheme (excluding inter-scheme investment, investment in fixed deposits, investments made by the Asset Management Company and deferred revenue expenses, where applicable), and is in conformity with the limits specified under SEBI (Mutual Funds) Regulations, 1996.

Corporate Trusteeship Acceptance fees are recognised on the acceptance or execution of trusteeship assignment whichever is earlier. Corporate Trusteeship service charges are recognised/accrued on the basis of terms of trusteeship contracts/agreements entered into with clients.

Infrastructure and Facility Management:

Revenue from project management, facility management and maintenance contracts are recognised pro-rata over the period of the contract as and when services are rendered.

2. Investments:

The transactions in all securities are recorded on "Settlement Date"

2.1 Classification:

Investments are classified into three categories, viz. Held to Maturity (HTM), Available for Sale (AFS) and Held for Trading (HFT) as per RBI Guidelines.

2.2 Basis of classification:

i. Investments that the Bank intends to hold till maturity are classified as "Held to Maturity (HTM)".

ii. Investments that are held principally for resale within 90 days from the date of purchase are classified as "Held for Trading (HFT)".

iii. Investments, which are not classified in the above two categories, are classified as "Available for Sale (AFS)".

iv. Aninvestmentisclassifiedas HTM, HFTor AFSat thetimeof its purchase and subsequent shifting amongst categories is done in conformity with regulatory guidelines.

2.3 Valuation:

A. Banking Business:

i. In determining the acquisition cost of an investment:

a. Brokerage/commission received on subscriptions is reduced from the cost.

b. Brokerage, commission, securities transaction tax, etc. paid in connection with acquisition of investments are expensed upfront and excluded from cost.

c. Broken period interest paid / received on debt instruments is treated as interest expense/income and is excluded from cost/sale consideration.

d. Cost of investment under AFS and HFT category is determined at the weighted average cost method by the group entities and cost of investments under HTM category is determined on FIFO basis (first in first out) by SBI and weighted average cost method by other group entities.

ii. Transfer of securities from HFT/AFS category to HTM category is carried out at the lower of acquisition cost/book value/market value on the date of transfer. The depreciation, if any, on such transfer is fully provided for. However, transfer of securities from HTM category to AFS category is carried out on acquisition price/book value. After transfer, these securities are immediately revalued and resultant depreciation, if any, is provided.

iii. Treasury Bills and Commercial Papers are valued at carrying cost.

iv. Held to Maturity category: Investments under Held to Maturity category are carried at acquisition cost unless it is more than the face value, in which case the premium is amortised over the period of remaining maturity on constant yield basis. Such amortisation of premium is adjusted against income under the head "interest on investments". A provision is made for diminution, other than temporary, for each investment individually. Investments in Regional Rural Banks (RRBs) are valued at equity cost determined in accordance with AS 23 of the ICAI.

v. Available for Sale and Held for Trading categories: Investments held under AFS and HFT categories are individually revalued at the market price or fair value determined as per Regulatory guidelines, and only the net depreciation of each group for each category (viz., (i) Government securities (ii) Other Approved Securities (iii) Shares (iv) Bonds and Debentures (v) Subsidiaries and Joint Ventures; and (vi) others) is provided for and net appreciation, is ignored. On provision for depreciation, the book value of the individual security remains unchanged after marking to market.

vi. In case of sale of NPA (financial asset) to Securitisation Company (SC)/ Asset Reconstruction Company (ARC) against issue of Security Receipts (SR), investment in SR is recognised at lower of (i) Net Book Value (NBV) (i.e., book value less provisions held) of the financial asset and (ii) Redemption value of SR. SRs issued by an SC/ARC are valued in accordance with the guidelines applicable to non- SLR instruments. Accordingly, in cases where the SRs issued by the SC/ARC are limited to the actual realisation of the financial assets assigned to the instruments in the concerned scheme, the Net Asset Value, obtained from the SC/ARC, is reckoned for valuation of such investments.

vii. Investments are classified as performing and non-performing, based on the guidelines issued by the RBI in the case of domestic offices/entities and respective regulators in the case of foreign offices/ entities. Investments of domestic offices become non-performing where:

   a. Interest/instalment (including maturity proceeds) is due and remains unpaid for more than 90 days.

   b. In the case of equity shares, in the event the investment in the shares of any company is valued at ₹1 per company on account of the non availability of the latest balance sheet, those equity shares would be reckoned as NPI.

   c. If any credit facility availed by an entity is NPA in the books of the bank, investment in any of the securities issued by the same entity would also be treated as NPI and vice versa.

   d. The above would apply mutatis-mutandis to Preference Shares where the fixed dividend is not paid.

   e. The investments in debentures/bonds, which are deemed to be in the nature of advance, are also subjected to NPI norms as applicable to investments.

f. In respect of foreign offices/entities, provisions for NPIs are made as per the local regulations or as per the norms of RBI, whichever is more stringent.

viii. **Accounting for Repo/Reverse Repo transactions (other than transactions under the Liquidity Adjustment Facility (LAF) with the RBI)**

a. The securities sold and purchased under Repo/ Reverse Repo are accounted as Collateralized lending and borrowing transactions. However securities are transferred as in the case of normal outright sale/ purchase transactions and such movement of securities is reflected using the Repo/ Reverse Repo Accounts and Contra entries. The above entries are reversed on the date of maturity. Costs and revenues are accounted as interest expenditure/income, as the case may be. Balance in Repo A/c is classified under Schedule 4 (Borrowings) and balance in Reverse Repo A/c is classified under Schedule 7 (Balance with Banks and Money at Call & Short Notice).

b. Interest expended/earned on Securities purchased/ sold under LAF with RBI is accounted for as expenditure/ revenue.

ix. Market repurchase and reverse repurchase transactions as well as the transactions with RBI under Liquidity Adjustment Facility (LAF) are accounted for as Borrowings and Lending transactions in accordance with the extant RBI guidelines.

B. Insurance Business:

In case of life and general insurance subsidiaries, investments are made in accordance with the Insurance Act, 1938, the IRDA (Investment) Regulations, 2016, investment policy of the company and various other circulars / notifications as issued by IRDA from time to time.

(i) **Valuation of investment pertaining to non-linked life insurance business and general insurance business:-**

- All debt securities, including government securities and money market securities are stated at historical cost subject to amortisation of premium or accretion of discount.

- Listed equity shares, equity related instruments and preference shares are measured at fair value on the Balance Sheet date. For the purpose of determining fair value, the closing price at primary exchange i.e. National Stock Exchange of India Limited (‘NSE’) is considered. If NSE price is not available on a particular valuation day, the closing price of the secondary exchange i.e. BSE Limited (‘BSE’) is considered.

- Unlisted equity securities are measured at historical cost.

- In case of Security Lending and Borrowing (SLB), equity shares lent are valued as per valuation policy for equity shares as mentioned above.

- Additional Tier 1 (Basel III compliant) Perpetual Bonds classified under “Equity” as specified by IRDA, are valued at prices obtained from CRISIL.

- Investments in mutual fund units are valued at the Net Asset Value (NAV) of previous day in life insurance and of balance sheet date in general insurance.

- Investment in Alternative Investment Funds (AIFs) are valued at latest available NAV.

Unrealized gains or losses arising due to change in thefairvalueoflistedequityshares, mutualfundunits and AIFs pertaining to shareholders' investments and non-linked policyholders investments are taken to "Revenue & Other Reserves (Schedule 2)" and "Liabilities relating to Policyholders in Insurance Business (Schedule 5)" respectively, in the Balance Sheet.

(ii) **Valuation of investment pertaining to linked business:**

- Debt Securities including Government securities with remaining maturity of more than one year are valued at prices obtained from Credit Rating Information Services of India Limited ('CRISIL'). Debt securities including Government securities with remaining maturity of less than one year are valued on yield to maturity basis, where yield is derived using market price provided by CRISIL on the day when security is classified as short term. If security is purchased during its short term tenor, it is valued at amortised cost using yield to maturity method. In case of securities with options, earliest Call Option/ Put Option date will be taken as maturity date for this purpose. Money market securities are valued at historical cost subject to amortization of premium or accretion of discount on yield to maturity basis.

- Listed equity shares, equity related instruments and preference shares are measured at fair value on the Balance Sheet date. For the purpose of determining fair value, the closing price at primary exchange i.e. NSE is considered. If NSE price is not available on a particular valuation day, closing price of the secondary exchange i.e. BSE is considered.

- Unlisted equity securities are measured at historical cost.

- In case of Security Lending and Borrowing (SLB), equity shares lent are valued as per valuation policy for equity shares as mentioned above.

- Additional Tier 1 (Basel III compliant) Perpetual Bonds classified under "Equity" as specified by IRDA, are valued at prices obtained from CRISIL.

- Investments in mutual fund units are valued at the previous day's Net Asset Value (NAV).

- Unrealized gains or losses arising due to changes in the fair value are recognized in the Profit & Loss Account.

3. Loans /Advances and Provisions thereon:

3.1 Loans and Advances are classified as performing and non- performing, based on the guidelines/directives issued by the RBI. Loan Assets become Non-Performing Assets (NPAs) where:

i. In respect of term loans, interest and/or instalment of principal remains overdue for a period of more than 90 days;

ii. In respect of Overdraft or Cash Credit advances, the account remains "out of order", i.e. if the outstanding balance exceeds the sanctioned limit/ drawing power continuously for a period of 90 days, or if there are no credits continuously for 90 days as on the date of balance-sheet, or if the credits are not adequate to cover the interest debited during the same period;

iii. In respect of bills purchased/discounted, the bill remains overdue for a period of more than 90 days;

iv. In respect of agricultural advances (a) for short duration crops, where the instalment of principal or interest remains overdue for two crop seasons; and (b) for long duration crops, where the principal or interest remains overdue for one crop season.

3.2 NPAs are classified into Sub-Standard, Doubtful and Loss Assets, based on the following criteria stipulated by RBI:

i. Sub-standard: A loan asset that has remained non- performing for a period less than or equal to 12 months.

ii. Doubtful: A loan asset that has remained in the sub- standard category for a period of 12 months.

iii. Loss: A loan asset where loss has been identified but the amount has not been fully written off.

3.3 Provisions are made for NPAs as per the extant guidelines prescribed by the regulatory authorities, subject to minimum provisions as prescribed below:

Substandard Assets: . . .	i.	A general provision of 15% on the total outstanding;
	ii.	Additional provision of 10% for exposures which are unsecured ab-initio (i.e. where realisable value of security is not more than 10 percent ab-initio);
	iii.	Unsecured Exposure in respect of infrastructure advances where certain safeguards such as escrow accounts are available - 20%.
Doubtful Assets:		
- Secured portion:	i.	Upto one year - 25%
	ii.	One to three years - 40%
	iii.	More than three years - 100%
- Unsecured portion . . .	100%	
Loss Assets:.	100%	

3.4 In respect of foreign offices/entities, the classification of loans and advances and provisions for NPAs are made as per the local regulations or as per the norms of RBI, whichever is more stringent.

3.5 Advancesarenetofspecificloanlossprovisions, unrealised interest, ECGC claims received and bills rediscounted.

3.6 For restructured/rescheduled assets, provisions are made in accordance with the guidelines issued by the RBI, which require that the difference between the fair value of the loan/advances before and after restructuring is provided for, in addition to provision for the respective loans/ advances. The Provision for Diminution in Fair Value (DFV) and interest sacrifice, if any, arising out of the above, is reduced from advances.

3.7 In the case of loan accounts classified as NPAs, an account may be reclassified as a performing asset if it conforms to the guidelines prescribed by the regulators.

3.8 Amounts recovered against debts written off in earlier years are recognised as revenue in the year of recovery.

3.9 In addition to the specific provision on NPAs, general provisions are also made for standard assets as per extant RBI Guidelines. These provisions are reflected in Schedule 5 of the Balance Sheet under the head "Other Liabilities & Provisions — Others" and are not considered for arriving at the Net NPAs.

3.10 Appropriation of recoveries in NPAs (not out of fresh/ additional credit facilities sanctioned to the borrower concerned) towards principal or interest due as per the Bank's extant instructions is done in accordance with the following priority.

a. Charges

b. Unrealized Interest/Interest

c. Principal

4. Floating Provisions:

The Bank has a policy for creation and utilisation of floating provisions separately for advances, investments and general purposes. The quantum of floating provisions to be created is assessed at the end of the financial year. The floating provisions are utilised only for contingencies under extra ordinary circumstances specified in the policy with prior permission of Reserve Bank of India.

5. Provision for Country Exposure for Banking Entities:

In addition to the specific provisions held according to the asset classification status, provisions are also made for individual country exposures (other than the home country). Countries are categorised into seven risk categories, namely, insignificant, low, moderate, high, very high, restricted and off-credit and provisioning made as per extant RBI guidelines. If the country exposure (net) of the Bank in respect of each country does not exceed 1% of the total funded assets, no provision is maintained on such country exposures. The provision is reflected in Schedule 5 of the Balance Sheet under the "Other liabilities & Provisions — Others".

6. Derivatives:

6.1 The Bank enters into derivative contracts, such as foreign currency options, interest rate swaps, currency swaps, cross currency interest rate swaps and forward rate agreements in order to hedge on-balance sheet/off-balance sheet assets and liabilities or for trading purposes. The swap contracts entered to hedge on-balance sheet assets and liabilities are structured in such a way that they bear an opposite and offsetting impact with the underlying on-balance sheet items. The impact of such derivative instruments is correlated with the movement of the underlying assets and accounted in accordance with the principles of hedge accounting.

6.2 Derivative contracts classified as hedge are recorded on accrual basis. Hedge contracts are not marked to market unless the underlying assets / liabilities are also marked to market.

6.3 Except as mentioned above, all other derivative contracts are marked to market as per the Generally Accepted Accounting Practices prevalent in the industry. In respect of derivative contracts that are marked to market, changes in the market value are recognised in the Profit and Loss Account in the period of change. Any receivable under derivatives contracts, which remain overdue for more than 90 days, are reversed through Profit and Loss Account to "Suspense Account - Crystallised Receivables". In cases where the derivative contracts provide for more settlement in future and if the derivative contract is not terminated on the overdue receivables remaining unpaid for 90 days, the positive MTM pertaining to future receivables is also reversed from Profit and Loss Account to “Suspense Account - Positive MTM”.

6.4 Option premium paid or received is recorded in Profit and Loss Account at the expiry of the option. The balance in the premium received on options sold and premium paid on options bought is considered to arrive at Mark to Market value for forex Over the Counter (OTC) options.

6.5 Exchange Traded Derivatives entered into for trading purposes are valued at prevailing market rates based on rates given by the Exchange and the resultant gains and losses are recognized in the Profit and Loss Account.

7. Fixed Assets Depreciation and Amortisation:

7.1 Fixed Assets are carried at cost less accumulated depreciation/ amortisation.

7.2 Cost includes cost of purchase and all expenditure such as site preparation, installation costs and professional fees incurred on the asset before it is put to use. Subsequent expenditure(s) incurred on the assets put to use are capitalised only when it increases the future benefits from such assets or their functioning capability.

7.3 The rates of depreciation and method of charging depreciation in respect of domestic operations are as under:

Sr. No.	Description of Fixed Assets	Method of charging depreciation	Depreciation/ amortisation rate
1	Computers	Straight Line Method	33.33% every year
2	Computer Software forming an integral part of the Computer hardware	Straight Line Method	33.33% every year
3	Computer Software which does not form an integral part of Computer hardware and cost of Software Development	Straight Line Method	33.33% every year
4	Automated Teller Machine/ Cash Deposit Machine/Coin Dispenser / Coin Vending Machine	Straight Line Method	20.00% every year
5	Servers	Straight Line Method	25.00% every year
6	Network Equipment	Straight Line Method	20.00% every year
7	Other fixed assets	Straight Line Method	On the basis of estimated useful life of the assets
		Estimated useful life of major group of Fixed Assets are as under:	
		Premises	60 Years
		Vehicles	5 Years
		Safe Deposit Lockers	20 Years
		Furniture & Fixtures	10 Years

7.4 In respect of assets acquired during the year for domestic operations, depreciation is charged on proportionate basis for the number of days assets have been put to use during the year.

7.5 Assets costing less than ₹ 1,000 each are charged off in the year of purchase.

7.6 In respect of leasehold premises, the lease premium, if any, is amortised over the period of lease and the lease rent is charged in the respective year (s).

7.7 In respect of assets given on lease by the Bank on or before 31st March 2001, the value of the assets given on lease is disclosed as Leased Assets under Fixed Assets, and the difference between the annual lease charge (capital recovery) and the depreciation is taken to Lease Equalisation Account.

7.8 In respect of fixed assets held at foreign offices/entities, depreciation is provided as per the regulations /norms of the respective countries.

7.9 The Bank considers only immovable assets for revaluation. Properties acquired during the last three years are not revalued. Valuation of the revalued assets is done at every three years thereafter.

7.10 The increase in Net Book Value of the asset due to revaluation is credited to the Revaluation Reserve Account without routing through the profit and loss statement.

7.11 The Revalued Assets is depreciated over the balance useful life of the asset as assessed at the time of revaluation.

8. Leases:

The asset classification and provisioning norms applicable to advances, as laid down in Para 3 above, are applied to financial leases also.

9. Impairment of Assets:

Fixed Assets are reviewed for impairment whenever events or changes in circumstances warrant that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future Net Discounted Cash Flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognised is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

10. Effect of changes in the foreign exchange rate:

10.1 Foreign Currency Transactions

i. Foreign currency transactions are recorded on initial recognition in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency on the date of transaction.

ii. Foreign currency monetary items are reported using the Foreign Exchange Dealers Association of India (FEDAI) closing (spot/forward) rates.

iii. Foreign currency non-monetary items, which are carried at historical cost, are reported using the exchange rate on the date of the transaction.

iv. Contingent liabilities denominated in foreign currency are reported using the FEDAI closing spot rates.

v. Outstanding foreign exchange spot and forward contracts held for trading are revalued at the exchange rates notified by FEDAI for specified maturities, and the resulting Profit or Loss is recognised in the Profit and Loss account.

vi. Foreign exchange forward contracts which are not intended for trading and are outstanding on the Balance Sheet date, are re-valued at the closing spot rate. The premium or discount arising at the inception of such a forward exchange contract is amortised as expense or income over the life of the contract.

vii. Exchange differences arising on the settlement of monetary items at rates different from those at which they were initially recorded are recognised as income or as expense in the period in which they arise.

viii. Gains / Losses on account of changes in exchange rates of open position in currency futures trades are settled with the exchange clearing house on daily basis and such gains/losses are recognised in the Profit and Loss Account.

10.2 Foreign Operations:

Foreign Branches/Subsidiaries / Joint Ventures of the Bank and Offshore Banking Units (OBU) have been classified as Non-integral Operations and Representative Offices have been classified as Integral Operations.

a. **Non-integral Operations:**

i. Both monetary and non-monetary foreign currency assets and liabilities including contingent liabilities of non-integral foreign operations are translated at closing exchange rates notified by FEDAI at the Balance Sheet date.

ii. Income and expenditure of non-integral foreign operations are translated at quarterly average closing rates notified by FEDAI.

iii. Exchange differences arising on investment in non-integral foreign operations are accumulated in Foreign Currency Translation Reserve until the disposal of the investment.

iv. The Assets and Liabilities of foreign offices/ subsidiaries /joint ventures in foreign currency (other than local currency of the foreign offices/ subsidiaries/joint ventures) are translated into local currency using spot rates applicable to that country on the Balance Sheet date.

b. **Integral Operations:**

i. Foreign currency transactions are recorded on initial recognition in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency on the date of transaction.

ii. Monetary foreign currency assets and liabilities of integral foreign operations are translated at closing (Spot/Forward) exchange rates notified by FEDAI at the Balance Sheet date and the resulting Profit/ Loss is included in the Profit and Loss Account. Contingent Liabilities are translated at Spot rate.

iii. Foreign currency non-monetary items which are carried at historical cost are reported using the exchange rate on the date of the transaction.

11. Employee Benefits:

11.1 Short Term Employee Benefits:

The undiscounted amounts of short-term employee benefits, such as medical benefits, which are expected to be paid in exchange for the services rendered by employees are recognised during the period when the employee renders the service.

11.2 Long Term Employee Benefits:

i. **Defined Benefit Plan**

a. The Bank operates a Provident Fund scheme. All eligible employees are entitled to receive benefits under the Provident Fund scheme. The Bank contributes monthly at a determined rate (currently 10% of employee's basic pay plus eligible allowance). These contributions are remitted to a Trust established for this purpose and are charged to Profit and Loss Account. The Bank recognizes such annual contributions as an expense in the year to which it relates, Shortfall, if any, is provided for on the basis of actuarial valuation.

b. The group entities operate separate Gratuity and Pension schemes, which are defined benefit plans.

c. The group entities provide for gratuity to all eligible employees. The benefit is in the form of lump sum payments to vested employees on retirement or on death while in employment, or on termination of employment, for an amount equivalent to 15 days basic salary payable for each completed year of service, subject to a maximum amount of ₹ 10 Lacs. Vesting occurs upon completion of five years of service. The Bank makes periodic contributions to a fund administered by Trustees based on an independent external actuarial valuation carried out annually.

d. Some group entities provide for pension to all eligible employees. The benefit is in the form of monthly payments as per rules to vested employees on retirement or, on death while in employment, or on termination of employment. Vesting occurs at different stages as per rules. The entities make contributions to funds administered by trustees based on an independent external actuarial valuation carried out annually.

e. The cost of providing defined benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains/losses are immediately recognised in the Profit and Loss and are not deferred.

ii. **Defined Contribution Plans:**

The Bank operates a New Pension Scheme (NPS) for all officers/ employees joining the Bank on or after 1st August, 2010, which is a defined contribution plan, such new joinees not being entitled to become members of the existing SBI Pension Scheme. As per the scheme, the covered employees contribute 10% of their basic pay plus dearness allowance to the scheme together with a matching contribution from the Bank. Pending completion of registration procedures of the employees concerned, these contributions are retained as deposits in the Bank and earn interest at the same rate as that of the current account of Provident Fund balance. The Bank recognizes such annual contributions and interest as an expense in the year to which they relate. Upon receipt of the Permanent Retirement Account Number (PRAN), the consolidated contribution amounts are transferred to the NPS Trust.

iii. **Other Long Term Employee benefits:**

a. All eligible employees of the Group are eligible for compensated absences, silver jubilee award, leave travel concession, retirement award and resettlement allowance. The costs of such long term employee benefits are internally funded by the group entities.

b. The cost of providing other long term benefits is determined using the projected unit credit method with actuarial valuations being carried out at each Balance Sheet date. Past service cost is immediately recognised in the Profit and Loss and is not deferred.

11.3 Employee benefits relating to employees employed at foreign offices/ entities are valued and accounted for as per the respective local laws/regulations.

12. Taxes on income

Income tax expense is the aggregate amount of current tax, deferred tax and fringe benefit tax expense incurred by the Group. The current tax expense and deferred tax expense are determined in accordance with the provisions of the Income Tax Act, 1961 and as per Accounting Standard 22 — "Accounting for Taxes on Income" respectively after taking into account taxes paid at the foreign offices/ entities, which are based on the tax laws of respective jurisdiction. Deferred Tax adjustments comprises of changes in the deferred tax assets or liabilities during the year. Deferred tax assets and liabilities are recognised by considering the impact of timing differences between taxable income and accounting income for the current year, and carry forward losses.

Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. The impact of changes in deferred tax assets and liabilities is recognised in the profit and loss account. Deferred tax assets are recognised and re-assessed at each reporting date, based upon management's judgement as to whether their realisation is considered as reasonably certain. Deferred Tax Assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future profits.

In Consolidated Financial Statement, income tax expenses are the aggregate of the amounts of tax expense appearing in the separate financial statements of the parent and its subsidiaries/joint ventures, as per their applicable laws.

13. Earnings per Share:

13.1 The Bank reports basic and diluted earnings per share in accordance with AS 20 —"Earnings per Share" issued by the ICAI. Basic Earnings per Share are computed by dividing the Net Profit after Tax for the year attributable to equity shareholders (other than minority) by the weighted average number of equity shares outstanding for the year.

13.2 Diluted Earnings per Share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted Earnings per Share are computed using the weighted average number of equity shares and dilutive potential equity shares outstanding at year end.

14. Provisions, Contingent Liabilities and Contingent Assets:

14.1 In conformity with AS 29, "Provisions, Contingent Liabilities and Contingent Assets", issued by the Institute of Chartered Accountants of India, the Bank recognises provisions only when it has a present obligation as a result of a past event and would result in a probable outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made.

14.2 No provision is recognised for

i. any possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group entities; or

ii. any present obligation that arises from past events but is not recognised because

a. it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

b. a reliable estimate of the amount of obligation cannot be made.

Such obligations are recorded as Contingent Liabilities. These are assessed at regular intervals and only that part of the obligation for which an outflow of resources embodying economic benefits is probable, is provided for, except in the extremely rare circumstances where no reliable estimate can be made.

14.3 Provision for reward points in relation to the debit card holders of the Bank is being provided for on actuarial estimates.

14.4 Contingent Assets are not recognised in the financial statements.

15. Bullion Transactions:

The Bank imports bullion including precious metal bars on a consignment basis for selling to its customers. The imports are typically on a back-to-back basis and are priced to the customer based on price quoted by the supplier. The Bank earns a fee on such bullion transactions. The fee is classified under commission income. The Bank also accepts deposits and lends gold, which is treated as deposits/advances as the case may be with the interest paid/received classified as interest expense / income. Gold Deposits, Metal Loan Advances and closing Gold Balances are valued at available Market Rate as on the date of Balance Sheet.

16. Special Reserves:

Revenue and other Reserve include Special Reserve created under Section 36(1)(viii) of the Income Tax Act, 1961. The Board of Directors have passed a resolution approving creation of the reserve and confirming that it has no intention to make withdrawal from the Special Reserve.

17. Share Issue Expenses:

Share issue expenses are charged to the Share Premium Account.

Schedule 18- NOTES TO ACCOUNTS

1. List of Subsidiaries/Joint Ventures/Associates considered for preparation of consolidated financial statements:

1.1 The 32 Subsidiaries, 9 Joint Ventures and 20 Associates including 18 Regional Rural Banks (which along with State Bank of India, the parent, constitute the Group), considered in the preparation of the consolidated financial statements, are

A) Subsidiaries:

Sr. No.	Name of the Subsidiary	Country of incorporation	Group's Stake (%) Current Year	Group's Stake (%) Previous Year
1)	State Bank of Bikaner and Jaipur	India	75.07	75.07
2)	State Bank of Hyderabad	India	100.00	100.00
3)	State Bank of Mysore	India	90.00	90.00
4)	State Bank of Patiala	India	100.00	100.00
5)	State Bank of Travancore	India	79.09	79.09
6)	SBI Capital Markets Ltd.	India	100.00	100.00
7)	SBICAP Securities Ltd.	India	100.00	100.00
8)	SBICAP Trustee Company Ltd.	India	100.00	100.00
9)	SBICAP Ventures Ltd.	India	100.00	100.00
10)	SBICAP (Singapore) Ltd.	Singapore	100.00	100.00
11)	SBICAP (UK) Ltd.	U.K.	100.00	100.00
12)	SBI DFHI Ltd.	India	71.58	71.58
13)	SBI Global Factors Ltd.	India	86.18	86.18
14)	SBI Infra Management Solutions Pvt. Ltd.	India	100.00	—
15)	SBI Mutual Fund Trustee Company Pvt Ltd.	India	100.00	100.00
16)	SBI Payment Services Pvt. Ltd.	India	100.00	100.00
17)	SBI Pension Funds Pvt Ltd.	India	92.60	92.60
18)	SBI Cards and Payment Services Pvt. Ltd. @	India	60.00	60.00
19)	SBI General Insurance Company Ltd. @	India	74.00	74.00
20)	SBI Life Insurance Company Ltd. @	India	70.10	74.00
21)	SBI-SG Global Securities Services Pvt. Ltd. @	India	65.00	65.00
22)	SBI Funds Management Pvt. Ltd. @	India	63.00	63.00
23)	SBI Funds Management (International) Private Ltd. @	Mauritius	63.00	63.00
24)	Commercial Indo Bank Llc, Moscow @	Russia	60.00	60.00
25)	Bank SBI Botswana Limited	Botswana	100.00	100.00
26)	SBI Canada Bank	Canada	100.00	100.00
27)	State Bank of India (California)	USA	100.00	100.00
28)	State Bank of India Servicos Limitada	Brazil	100.00	100.00
29)	SBI (Mauritius) Ltd.	Mauritius	96.60	96.60
30)	PT Bank SBI Indonesia	Indonesia	99.00	99.00
31)	Nepal SBI Bank Ltd.	Nepal	55.00	55.10
32)	Nepal SBI Merchant Banking Limited	Nepal	55.00	—

@ Represents companies which are jointly controlled entities in terms of the shareholders' agreement. However, the same are consolidated as subsidiaries in accordance with AS 21 "Consolidated Financial Statements" as SBI's holding in these companies exceeds 50%.

B) Joint Ventures:

Sr. No.	Name of the Subsidiary	Country of incorporation	Group's Stake (%)	
			Current Year	Previous Year
1)	C - Edge Technologies Ltd.	India	49.00	49.00
2)	GE Capital Business Process Management Services Pvt Ltd.	India	40.00	40.00
3)	SBI Macquarie Infrastructure Management Pvt. Ltd.	India	45.00	45.00
4)	SBI Macquarie Infrastructure Trustee Pvt. Ltd.	India	45.00	45.00
5)	Macquarie SBI Infrastructure Management Pte. Ltd.	Singapore	45.00	45.00
6)	Macquarie SBI Infrastructure Trustee Ltd.	Bermuda	45.00	45.00
7)	Oman India Joint Investment Fund - Management Company Pvt. Ltd.	India	50.00	50.00
8)	Oman India Joint Investment Fund - Trustee Company Pvt. Ltd.	India	50.00	50.00
9)	Jio Payments Bank Ltd.	India	30.00	—

C) Associates:

Sr. No.	Name of the Subsidiary	Country of incorporation	Group's Stake (%)	
			Current Year	Previous Year
1)	Andhra Pradesh Grameena Vikas Bank	India	35.00	35.00
2)	Arunachal Pradesh Rural Bank	India	35.00	35.00
3)	Chhattisgarh Rajya Gramin Bank	India	35.00	35.00
4)	Ellaquai Dehati Bank	India	35.00	35.00
5)	Langpi Dehangi Rural Bank	India	35.00	35.00
6)	Madhyanchal Gramin Bank	India	35.00	35.00
7)	Meghalaya Rural Bank	India	35.00	35.00
8)	Mizoram Rural Bank	India	35.00	35.00
9)	Nagaland Rural Bank	India	35.00	35.00
10)	Purvanchal Bank	India	35.00	35.00
11)	Saurashtra Gramin Bank	India	35.00	35.00
12)	Utkal Grameen Bank	India	35.00	35.00
13)	Uttarakhand Gramin Bank	India	35.00	35.00
14)	Vananchal Gramin Bank	India	35.00	35.00
15)	Rajasthan Marudhara Gramin Bank	India	26.27	26.27
16)	Telangana Grameena Bank	India	35.00	35.00
17)	Kaveri Grameena Bank	India	31.50	31.50
18)	Malwa Gramin Bank	India	35.00	35.00
19)	The Clearing Corporation of India Ltd.	India	24.42	24.42
20)	Bank of Bhutan Ltd.	Bhutan	20.00	20.00

a. SBI Infra Management Solutions Private Limited has been incorporated as a wholly owned subsidiary of SBI on June 17, 2016. During the month of August 2016, SBI has infused ₹ 10 crore as capital.

b. Jio Payments Bank Limited has been incorporated as a Joint Venture on November 10, 2016 in which SBI and Reliance Industries Limited are Joint Partners with stake of 30% and 70% respectively. SBI has infused ₹ 39.60 crore as capital into the said Joint Venture during the year ended 31.03.2017.

c. During the month of December 2016, SBI sold its 3.90% stake in SBI Life Insurance Company Ltd (a subsidiary of SBI) as a result of which SBI's stake has reduced from 74.00% to 70.10%.

d. Nepal SBI Bank Ltd. (an Overseas Subsidiary of SBI) has issued an additional 67,767.87 shares from its unsubscribed portion to the minority shareholders during February 2017 due to which SBI's stake has reduced from 55.10% to 55.00%.

e. Nepal SBI Bank Ltd (an overseas Subsidiary of SBI) has incorporated a wholly owned subsidiary in the name of Nepal SBI Merchant Banking Ltd and infused NPR 10 crore. Since SBI holds 55% stake in Nepal SBI Bank Ltd, the same stake shall be considered for consolidation of Nepal SBI Merchant Banking Ltd.

f. SBI Foundation, (a Not-for-Profit Company) was incorporated under Sec. 7(2) of the Companies Act 2013, as a subsidiary of SBI on June 26, 2015, to focus on the CSR activities of the Group. As it is a Not-for-Profit Company, SBI Foundation is not being considered for consolidation in preparation of Consolidated Financial Statement as per Accounting Standard 21.

g. SBI Home Finance Ltd., an associate in which SBI is having 25.05% stake, is under liquidation and therefore, not being considered for consolidation in preparation of Consolidated Financial Statements as per Accounting Standard 21.

1.2 The consolidated financial statements for the financial year 2016-17 of the Group includes unaudited financial statements of one subsidiary (SBI Canada Bank) and one associate (Bank of Bhutan Ltd.), the results of which are not material.

2. Share capital:

2.1 During the year, SBI received share application money of ₹ 5,681.00 crore (Previous Year ₹ 5,393.00 crore), including share premium of ₹ 5,659.93 crore (Previous Year ₹ 5,373.34 crore) from Government of India against preferential issue of 21,07,27,400 (Previous Year 19,65,59,390) equity shares of ₹ 1 each to Government of India. The equity shares were allotted on January 20, 2017.

2.2 Expenses in relation to the issue of shares ₹ 6.17 crore (Previous Year ₹ 8.66 crore) is debited to Share Premium Account.

3. Disclosures as per Accounting Standards

3.1 Employee Benefits:

3.1.1 Defined Benefit Plans

3.1.1.1 Employee's Pension Plans and Gratuity Plans

The following table sets out the status of the Defined Benefit Pension Plans and Gratuity Plans as required under AS 15 (Revised 2005)

₹ in crore

Particulars	Pension Plans		Gratuity Plans	
	Current Year	Previous Year	Current Year	Previous Year
Change in the present value of the defined benefit obligation				
Opening defined benefit obligation at 1st April 2016	73,164.38	64,529.56	9,898.24	9,543.10
Current Service Cost	1,285.52	1,360.54	287.33	256.26
Interest Cost	5,834.23	5,276.63	766.59	778.43

₹ in crore

Particulars	Pension Plans		Gratuity Plans	
	Current Year	Previous Year	Current Year	Previous Year
Past Service Cost (Vested Benefit)	1,200.00	—	0.01	0.03
Actuarial losses /(gains)	8,106.01	6,909.53	263.87	652.16
Benefits paid	(3,360.17)	(2,665.72)	(1,286.52)	(1,331.74)
Direct Payment by SBI	(2,359.84)	(2,246.16)	—	—
Closing defined benefit obligation at 31st March 2017	83,870.13	73,164.38	9,929.52	9,898.24
Change in Plan Assets				
Opening fair value of plan assets at 1st April 2016	66,813.97	61,886.14	9,249.72	9,362.94
Expected Return on Plan assets	5,522.97	5,341.46	755.56	798.31
Contributions by employer	7,817.68	2,322.17	876.22	383.63
Expected Contribution by the employees	3.09	—	—	—
Benefits Paid	(3,360.17)	(2,665.72)	(1,286.52)	(1,331.74)
Actuarial Gains / (Losses) on plan assets	2,505.66	(70.08)	268.79	36.58
Closing fair value of plan assets at 31st March 2017	79,303.20	66,813.97	9,863.77	9,249.72
Reconciliation of present value of the obligation and fair value of the plan assets				
Present Value of funded obligation at 31st March 2017	83,870.13	73,164.38	9,929.52	9,898.24
Fair Value of plan assets at 31st March 2017	79,303.20	66,813.97	9,863.77	9,249.72
Deficit/(Surplus)	4,566.93	6,350.41	65.75	648.52
Unrecognised Past Service Cost (Vested) Closing Balance	—	—	—	—
Net Liability/(Asset)	4,566.93	6,350.41	65.75	648.52
Amount Recognised in the Balance Sheet				
Liabilities	83,870.13	73,164.38	9,929.52	9,898.24
Assets	79,303.20	66,813.97	9,863.77	9,249.72
Net Liability / (Asset) recognised in Balance Sheet	4,566.93	6,350.41	65.75	648.52
Unrecognised Past Service Cost (Vested) Closing Balance	—	—	—	—
Net Liability/ (Asset)	4,566.93	6,350.41	65.75	648.52
Net Cost recognised in the profit and loss account				
Current Service Cost	1,285.52	1,360.54	287.33	256.26
Interest Cost	5,834.23	5,276.63	766.59	778.43
Expected return on plan assets	(5,522.97)	(5,341.46)	(755.56)	(798.31)
Expected Contributions by the employees	(3.09)	—	—	—
Past Service Cost (Amortised) Recognised	—	—	—	—
Past Service Cost (Vested Benefits) Recognised	1,200.00	—	0.01	0.03
Net Actuarial Losses / (Gains) recognised during the year	5,600.35	6,979.61	(4.92)	615.58
Total costs of defined benefit plans included in Schedule 16 “Payments to and provisions for employees”	8,394.04	8,275.32	293.45	851.99

₹ in crore

Particulars	Pension Plans		Gratuity Plans	
	Current Year	Previous Year	Current Year	Previous Year
Reconciliation of expected return and actual return on Plan Assets				
Expected Return on Plan Assets	5,522.97	5,341.46	755.56	798.31
Actuarial Gains/ (Losses) on Plan Assets	2,505.66	(70.08)	268.79	36.58
Actual Return on Plan Assets	8,028.63	5,271.38	1,024.35	834.89
Reconciliation of opening and closing net liability/(asset) recognised in Balance Sheet				
Opening Net Liability/(Asset) as at 1st April 2016	6,350.41	2,643.42	648.52	180.16
Expenses as recognised in profit and loss account	8,394.04	8,275.32	293.45	851.99
Paid by SBI Directly	(2,359.84)	(2,246.16)	—	—
Employer's Contribution	(7,817.68)	(2,322.17)	(876.22)	(383.63)
Past Service Cost	—	Nil	—	Nil
Net liability/(Asset) recognised in Balance Sheet	4,566.93	6,350.41	65.75	648.52

Investments under Plan Assets of Gratuity Fund & Pension Fund as on March 31, 2017 are as follows:

Category of Assets	Pension Fund % of Plan Assets	Gratuity Fund % of Plan Assets
Central Govt. Securities	28.43%	21.19%
State Govt. Securities	27.23%	22.31%
Debt Securities, Money Market Securities and Bank Deposits	35.38%	22.85%
Insurer Managed Funds	2.38%	27.77%
Others	6.58%	5.88%
Total	**100.00%**	**100.00%**

Principal actuarial assumptions:

Particulars	Pension Plans		Gratuity Plans	
	Current Year	Previous Year	Current Year	Previous Year
Discount Rate	7.45% to 7.51%	8.00% to 8.10%	7.27% to 7.27%	7.86% to 8.10%
Expected Rate of return on Plan Asset	7.00% to 8.00%	8.00% to 9.00%	7.00% to 8.00%	7.86% to 9.00%
Attrition Rate	2.00%	2.00%	2.00%	2.00%
Salary Escalation	5.00%	5.00%	5.00%	5.00%

The estimates of future salary growth, factored in actuarial valuation, taking account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market. Such estimates are very long term and are not based on limited past experience / immediate future. Empirical evidence also suggests that in the very long term, consistent high salary growth rates are not possible, which has been relied upon by the auditors.

3.1.1.2 Employees Provident Fund

Actuarial valuation carried out in respect of interest shortfall in the Provident Fund Trust of SBI, as per Deterministic Approach shows "Nil" liability, hence no provision is made in F.Y. 2016-17.

The following table sets out the status of Provident Fund as per the actuarial valuation by the independent Actuary appointed by SBI:-

₹ in crore

Particulars	Provident Fund	
	Current Year	Previous Year
Change in the present value of the defined benefit obligation		
Opening defined benefit obligation at 1st April 2016	25,159.70	22,498.51
Current Service Cost	811.36	1,632.22
Interest Cost	2,177.60	2,026.72
Employee Contribution (including VPF)	1,031.10	1,983.67
Actuarial losses/(gains)	—	0.01
Benefits paid	(3,257.80)	(2,981.43)
Closing defined benefit obligation at 31st March 2017	25,921.96	25,159.70
Change in Plan Assets		
Opening fair value of Plan Assets as at 1st April 2016	25,985.32	23,197.82
Expected Return on Plan Assets	2,177.60	2,026.72
Contributions	1,842.46	3,615.89
Benefits Paid	(3,257.80)	(2,981.43)
Actuarial Gains / (Loss) on plan Assets	167.65	126.32
Closing fair value of plan assets as at 31st March 2017	26,915.23	25,985.32
Reconciliation of present value of the obligation and fair value of the plan assets		
Present Value of Funded obligation at 31st March 2017	25,921.96	25,159.70
Fair Value of Plan assets at 31st March 2017	26,915.23	25,985.32
Deficit/(Surplus)	(993.27)	(825.62)
Net Asset not recognised in Balance Sheet	993.27	825.62
Net Cost recognised in the profit and loss account		
Current Service Cost	811.36	1632.22
Interest Cost	2,177.60	2,026.72
Expected return on plan assets	(2,177.60)	(2,026.72)
Interest shortfall reversed	—	—
Total costs of defined benefit plans included in Schedule 16 "Payments to and provisions for employees"	811.36	1,632.22
Reconciliation of opening and closing net liability/ (asset) recognised in Balance Sheet		
Opening Net Liability as at 1st April 2016	—	—
Expense as above	811.36	1,632.22
Employer's Contribution	(811.36)	(1,632.22)
Net Liability/(Asset) Recognized In the Balance Sheet	—	—

Investments under Plan Assets of Provident Fund as on March 31, 2017 are as follows:

Category of Assets	Provident Fund % of Plan Assets
Central Govt. Securities	40.56%
State Govt. Securities	21.16%
Debt Securities, Money Market Securities and Bank Deposits	33.35%
Insurer Managed Funds	—
Others	4.93%
Total	**100.00%**

Principal actuarial assumptions

Particulars	Provident Fund	
	Current Year	Previous Year
Discount Rate	7.27%	7.86%
Guaranteed Return	8.80%	8.75%
Attrition Rate	2.00%	2.00%
Salary Escalation	5.00%	5.00%
Mortality Table	IALM (2006-08) ULTIMATE	IALM (2006-08) ULTIMATE

There is a guaranteed return applicable to liability under SBI Employees Provident Fund which shall not be lower of either:

(a) one half percent above the average standard rate (adjusted up or down to the interest one quarter per cent) quoted by the bank for new deposits fixed for twelve months in the preceding year (ending on the preceding the 31st day of March); or

(b) three percent per annum, subject to approval of Executive Committee.

3.1.2 Defined Contribution Plans

3.1.2.1 Employees Provident Fund

An amount of ₹38.15 crore (Previous Year ₹36.98 crore) is contributed towards the Provident Fund Scheme by the group (excluding SBI) and is included under the head “Payments to and provisions for employees” in Profit and Loss Account.

3.1.2.2 Defined Contribution Pension Scheme

The Defined Contribution Pension Scheme (DCPS) is applicable to all categories of officers and employees joining the SBI on or after August 01, 2010 and for Domestic Banking Subsidiaries, the scheme is applicable to all categories of officers and employees who join on or after April 01, 2010. The Scheme is managed by NPS Trust under the aegis of the Pension Fund Regulatory and Development Authority. National Securities Depository Limited has been appointed as the Central Record Keeping Agency for the NPS. During the year, an amount of ₹ 328.69 crore (Previous Year ₹ 266.32 crore) has been contributed in the scheme.

3.1.3 Other Long term Employee Benefits (Unfunded Obligation)

3.1.3.1 Accumulating Compensated Absences (Privilege Leave)

The following table sets out the status of Accumulating Compensated Absences (Privilege Leave) of SBI as per the actuarial valuation by the independent Actuary:-

₹ in crore

Particulars	Accumulating Compensated Absences (Privilege Leave)	
	Current Year	Previous Year
Change in the present value of the defined benefit obligation		
Opening defined benefit obligation at 1st April 2016	4,375.49	3,756.50
Current Service Cost	212.74	230.94
Interest Cost	343.91	308.41
Actuarial losses/(gains)	397.82	590.64
Benefits paid	(575.86)	(511.00)
Closing defined benefit obligation at 31st March 2017	4,754.10	4,375.49
Net Cost recognised in the profit and loss account		
Current Service Cost	212.74	230.94
Interest Cost	343.91	308.41
Actuarial (Gain)/ Losses	397.82	590.64
Total costs of defined benefit plans included in Schedule 16 "Payments to and provisions for employees"	954.47	1,129.99
Reconciliation of opening and closing net liability/ (asset) recognised in Balance Sheet		
Opening Net Liability as at 1st April 2016	4,375.49	3,756.50
Expense as above	954.47	1,129.99
Employer's Contribution	—	—
Benefit paid directly by the Employer	(575.86)	(511.00)
Net Liability/(Asset) recognized in the Balance Sheet	4,754.10	4,375.49

Principal actuarial assumptions

Particulars	Current Year	Previous Year
Discount Rate	7.27%	7.86%
Attrition Rate	2.00%	2.00%
Salary Escalation	5.00%	5.00%
Mortality Table	IALM (2006-08) ULTIMATE	IALM (2006-08) ULTIMATE

Accumulating Compensated Absences (Privilege Leave) (excluding SBI)

An amount of ₹ 116.91 crore (Previous Year ₹ 167.78 crore) is provided by the group (excluding SBI) towards Privilege Leave (Encashment) including leave encashment at the time of retirement and is included under the head "Payments to and provisions for employees" in Profit and Loss Account.

3.1.3.2 Other Long Term Employee Benefits

Amount of ₹ (-) 20.52 crore (Previous Year ₹ 21.35 crore) is provided/(written back) by the group towards other Long Term Employee Benefits and is included under the head "Payments to and provisions for employees" in Profit and Loss Account.

Details of Provisions made for various Other Long Term Employees' Benefits during the year;

₹ in crore

Sl. No.	Long Term Employees' Benefits	Current Year	Previous Year
1	Leave Travel and Home Travel Concession (Encashment/Availment)	19.23	25.85
2	Sick Leave	(53.14)	(1.43)
3	Silver Jubilee/Long Term Service Award	11.13	3.11
4	Resettlement Expenses on Superannuation	1.32	2.74
5	Casual Leave	\M	\M
6	Retirement Award	0.94	(8.92)
Total		(20.52)	21.35

3.1.4 The employee benefits listed above are in respect of the employees of the Group based in India. The employees of the foreign operations are not covered in the above schemes.

3.2 Segment Reporting:

3.2.1 Segment identification

A) Primary (Business Segment)

The following are the Primary Segments of the Group:

- Treasury
- Corporate / Wholesale Banking
- Retail Banking
- Insurance Business
- Other Banking Business

The present accounting and information system of the Bank does not support capturing and extraction of the data in respect of the above segments separately. However, based on the present internal, organisational and management reporting structure and the nature of their risk and returns, the data on the Primary Segments have been computed as under:

a) **Treasury:** The Treasury Segment includes the entire investment portfolio and trading in foreign exchange contracts and derivative contracts. The revenue of the treasury segment primarily consists of fees and gains or losses from trading operations and interest income on the investment portfolio.

b) **Corporate / Wholesale Banking:** The Corporate/ Wholesale Banking segment comprises the lending activities of Corporate Accounts Group, Mid Corporate Accounts Group and Stressed Assets Management Group. These include providing loans and transaction services to corporate and institutional clients and further include non treasury operations of foreign offices/entities.

c) **Retail Banking:** The Retail Banking Segment comprises of branches in National Banking Group, which primarily includes Personal Banking activities including lending activities to corporate customers having banking relations with branches in the National Banking Group. This segment also includes agency business and ATMs.

d) **Insurance Business**— The Insurance Business Segment comprises of the results of SBI Life Insurance Co. Ltd. and SBI General Insurance Co. Ltd.

e) **Other Banking business**— Segments not classified under (a) to (d) above are classified under this primary segment. This segment also includes the operations of all the Non-Banking Subsidiaries/Joint Ventures other than SBI Life Insurance Co. Ltd. and SBI General Insurance Co. Ltd. of the group.

B) Secondary (Geographical Segment):

a) **Domestic Operations** - Branches, Subsidiaries and Joint Ventures having operations in India.

b) **Foreign Operations** - Branches, Subsidiaries and Joint Ventures having operations outside India and offshore Banking units having operations in India.

C) Pricing of Inter-segmental Transfers

The Retail Banking segment is the primary resource mobilising unit. The Corporate/Wholesale Banking and Treasury segments are recipient of funds from Retail Banking. Market related Funds Transfer Pricing (MRFTP) is followed under which a separate unit called Funding Centre has been created. The Funding Centre notionally buys funds that the business units raise in the form of deposits or borrowings and notionally sell funds to business units engaged in creating assets.

D) Allocation of Revenue, Expenses, Assets and Liabilities

Expenses of parent incurred at Corporate Centre establishments directly attributable either to Corporate / Wholesale and Retail Banking Operations or to Treasury Operations segment, are allocated accordingly. Expenses not directly attributable are allocated on the basis of the ratio of number of employees in each segment/ratio of directly attributable expenses.

Revenue, expenses, assets and liabilities which relate to the enterprise as a whole and are not allocable to any segment on a reasonable basis, have been reported as Unallocated.

3.2.2 SEGMENT INFORMATION

PART A: PRIMARY (BUSINESS) SEGMENTS:

₹ in crore

Business Segment	Treasury	Corporate/ Wholesale Banking	Retail Banking	Insurance Business	Other Banking Operations	TOTAL
Revenue	78,525.43	83,694.12	1,06,413.35	28,047.72	6,174.73	3,02,855.35
	(61,912.83)	(89,134.11)	(99,550.50)	(21,460.12)	(4,869.88)	(2,76,927.44)
Unallocated Revenue						2,419.27
						(1,800.62)
Less: Inter Segment Revenue						6,634.17
						(5,266.93)
Total Revenue						2,98,640.45
						(2,73,461.13)
Result	14,559.33	(-)29,133.47	15,156.76	1,308.71	1,717.58	3,608.91
	(9,071.69)	(-11,271.53)	(20,936.37)	(932.55)	(1,375.21)	(21,044.29)
Unallocated Income(+)/Expenses(-) net.						(-)2,664.08
						(-2,867.51)
Profit Before Tax.						944.83
						(18,176.78)
Taxes.						1,335.50
						(5,433.50)
Extraordinary Profit						(—)
						(—)
						(-)390.67
Net Profit before share in profit in Associates and Minority Interest						(12,743.28)
Add: Share in Profit in Associates						293.28
						(275.82)
Less: Minority Interest						(-)338.62
						(794.51)
Net Profit for the Group . . .						241.23
						(12,224.59)
Other Information:						
Segment Assets.	10,07,725.87	11,51,526.43	11,33,220.08	1,06,318.18	18,110.16	34,16,900.72
	(7,53,779.59)	(11,31,334.93)	(10,54,672.01)	(87,073.44)	(17,298.70)	(30,44,158.67)
Unallocated Assets.						28,220.84
						(29,324.48)
Total Assets.						34,45,121.56
						(30,73,483.15)
Segment Liabilities	7,09,453.02	11,03,341.85	12,14,492.46	99,646.13	12,525.34	31,39,458.80
	(4,61,937.22)	(10,74,172.76)	(11,82,374.63)	(81,602.86)	(12,473.12)	(28,12,560.59)
Unallocated Liabilities						88,470.61
						(80,330.19)
Total Liabilities						32,27,929.41
						(28,92,890.78)

PART B: SECONDARY (GEOGRAPHIC) SEGMENTS

₹ in crore

	Domestic Operations	Foreign Operations	TOTAL
Revenue	2,86,663.05	11,977.40	2,98,640.45
	(2,60,555.43)	(12,905.70)	(2,73,461.13)
Net Profit	(-)2,871.79	3,113.02	241.23
	(8,172.53)	(4,052.06)	(12,224.59)
Assets	30,59,467.86	3,85,653.70	34,45,121.56
	(27,21,888.90)	(3,51,594.25)	(30,73,483.15)
Liabilities	28,46,368.69	381,560.72	32,27,929.41
	(25,45,266.12)	(3,47,624.66)	(28,92,890.78)

(i) Income/Expenses are for the whole year. Assets/ Liabilities are as at March 31, 2017.

(ii) Figures within brackets are for previous year

3.3 Related Party Disclosures:

3.3.1 Related Parties to the Group:

A) JOINT VENTURES:

1. C - Edge Technologies Ltd.
2. GE Capital Business Process Management Services Private Ltd.
3. SBI Macquarie Infrastructure Management Pvt. Ltd.
4. SBI Macquarie Infrastructure Trustee Pvt. Ltd.
5. Macquarie SBI Infrastructure Management Pte. Ltd.
6. Macquarie SBI Infrastructure Trustee Ltd.
7. Oman India Joint Investment Fund - Management Company Pvt. Ltd.
8. Oman India Joint Investment Fund - Trustee Company Pvt. Ltd.
9. Jio Payments Bank Limited

B) ASSOCIATES:

i) Regional Rural Banks

1. Andhra Pradesh Grameena Vikas Bank
2. Arunachal Pradesh Rural Bank
3. Chhattisgarh Rajya Gramin Bank
4. Ellaquai Dehati Bank
5. Langpi Dehangi Rural Bank
6. Madhyanchal Gramin Bank

7. Meghalaya Rural Bank

8. Mizoram Rural Bank

9. Nagaland Rural Bank

10. Purvanchal Bank

11. Saurashtra Gramin Bank

12. Utkal Grameen Bank

13. Uttarakhand Gramin Bank

14. Vananchal Gramin Bank

15. Rajasthan Marudhara Gramin Bank

16. Telangana Grameena Bank

17. Kaveri Grameena Bank

18. Malwa Gramin Bank

ii) Others

19. The Clearing Corporation of India Ltd.

20. Bank of Bhutan Ltd.

21. SBI Home Finance Ltd. (under liquidation)

C) Key Management Personnel of the Bank:

1. Smt. Arundhati Bhattacharya, Chairman

2. Shri V.G. Kannan, Managing Director (Associates & Subsidiaries) (up to 31.07.2016)

3. Shri Dinesh Kumar Khara, Managing Director (Associates & Subsidiaries) (from 09.08.2016)

4. Shri P. K. Gupta, Managing Director (Compliance & Risk)

5. Shri Rajnish Kumar, Managing Director (National Banking Group)

6. Shri B. Sriram, Managing Director (Corporate Banking Group)

3.3.2 Related Parties with whom transactions were entered into during the year:

No disclosure is required in respect of related parties, which are “State controlled Enterprises” as per paragraph 9 of Accounting Standard (AS) 18. Further, in terms of paragraph 5 of AS 18, transactions in the nature of Banker-Customer relationship have not been disclosed including those with Key Management Personnel and relatives of Key Management Personnel.

3.3.3 Transactions and Balances:

₹ in crore

Particulars	Associates/ Joint Ventures	Key Management Personnel & their relatives	Total
Transactions during the year 2016-17			
Interest Income	—	—	—
	(—)	(—)	(—)
Interest Expenditure	0.18	—	0.18
	(1.86)	(—)	(1.86)
Income earned by way of Dividend	33.83	—	33.83
	(27.32)	(—)	(27.32)
Other Income	0.30	—	0.30
	(3.46)	(—)	(3.46)
Other Expenditure	11.54	—	11.54
	(5.70)	(—)	(5.70)
Management Contract	462.06	1.39	463.46
	(399.08)	(1.58)	(400.66)
Outstanding as on 31st March 2017			
Payables			
Deposit	15.21	—	15.21
	(39.26)	(—)	(39.26)
Other Liabilities	47.99	—	47.99
	(42.23)	(—)	(42.23)
Receivables			
Balances with Banks	—	—	—
	(—)	(—)	(—)
Investments	81.15	—	81.15
	(41.55)	(—)	(41.55)
Advances	0.41	—	0.41
	(0.33)	(—)	(0.33)
Other Assets	0.07	—	0.07
	(0.13)	(—)	(0.13)
Maximum outstanding during the year			
Borrowings	—	—	—
	(—)	(—)	(—)
Deposit	29.48	—	29.48
	(52.32)	(—)	(52.32)
Other Liabilities	55.33	—	55.33
	(74.90)	(—)	(74.90)
Balance with Banks	—	—	—
	(2.12)	(—)	(2.12)
Advances	0.42	—	0.42
	(0.37)	(—)	(0.37)
Investment	81.15	—	81.15
	(41.55)	(—)	(41.55)
Other Assets	0.07	—	0.07
	(0.13)	(—)	(0.13)
Non-fund commitments (LCs/BGs)	—	—	—
	(—)	(—)	(—)

(Figures in brackets pertain to previous year)

There are no materially significant related party transactions during the year.

3.4 Leases:

3.4.1 Finance Leases

Assets taken on Financial Leases on or after April 01, 2001: The details of financial leases are given below:

₹ in crore

Particulars	As at March 31, 2017	As at March 31, 2016
Total Minimum lease payments outstanding		
Less than 1 year	4.87	4.79
1 to 5 years	9.35	3.29
5 years and above	—	—
Total	14.22	8.08
Interest Cost payable		
Less than 1 year	0.97	0.63
1 to 5 years	1.36	0.39
5 years and above	—	—
Total	2.33	1.02
Present value of minimum lease payments payable		
Less than 1 year	3.90	4.16
1 to 5 years	7.99	2.90
5 years and above	—	—
Total	**11.89**	**7.06**

3.4.2 Operating Lease

Premises taken on operating lease are given below:

Operating leases primarily comprise office premises and staff residences, which are renewable at the option of the group entities.

Liability for Premises taken on Non-Cancellable operating lease are given below:

₹ in crore

Particulars	As at March 31, 2017	As at March 31, 2016
Not later than 1 year	307.04	335.87
Later than 1 year and not later than 5 years	1,189.15	1,285.14
Later than 5 years	310.99	341.41
Total	**1,807.18**	**1,962.42**

Amount of lease payments recognised in the Profit & Loss Account for the year is ₹ 2,615.41 crore (Previous Year ₹ 2,181.50 crore).

3.5 Earnings per Share:

The Bank reports basic and diluted earnings per equity share in accordance with Accounting Standard 20 — "Earnings per Share". "Basic earnings" per share is computed by dividing consolidated net profit after tax (other than minority) by the weighted average number of equity shares outstanding during the year.

Particulars Basic and diluted	Current Year	Previous Year
Number of Equity Shares outstanding at the beginning of the year	776,27,77,042	746,57,30,920
Number of Equity Shares issued during the year	21,07,27,400	29,70,46,122
Number of Equity Shares outstanding at the end of the year	797,35,04,442	776,27,77,042
Weighted average number of equity shares used in computing basic earnings per share	780,37,67,851	766,55,68,627
Weighted average number of shares used in computing diluted earnings per share	780,37,67,851	766,55,68,627
Net Profit for the Group (₹ in crore)	241.23	12,224.59
Basic earnings per share (₹)	0.31	15.95
Diluted earnings per share (₹)	0.31	15.95
Nominal value per share (₹)	1.00	1.00

3.6 Accounting for Taxes on Income:

i) During the year, ₹ 3,507.06 crore has been credited to Profit and Loss Account (Previous Year ₹ 83.18 crore debited) on account of deferred tax.

ii) The breakup of deferred tax assets and liabilities into major items is given below:

₹ in crore

Particulars	As at 31-Mar-2017	As at 31-Mar-2016
Deferred Tax Assets		
Provision for long term employee Benefits	2,769.18	2,092.14
Provision/Additional Provision on Specified Restructured Standard/ Standard Assets over the specified RBI Prudential Norms	2,845.49	2,136.25
On Accumulated Losses	5,281.99	57.40
Provision for Other Assets/ VRS/Other Liability	724.65	238.29
Depreciation on Fixed Assets	3.89	5.18
Provision for non performing assets	128.93	1,214.43
DTAs on account of FOs of SBI	427.91	472.52
Foreign Currency Translation Reserves	—	262.27
Others	455.01	405.67
Total	**12,637.05**	**6,884.15**
Deferred Tax Liabilities		
Depreciation on Fixed Assets	277.04	236.11
Interest accrued but not due on securities	5,045.06	3,863.93
Special Reserve created u/s 36(1)(viii) of Income Tax Act 1961	4,645.01	4,043.24
Foreign Currency Translation Reserve	563.28	—
DTLs on account of FOs of SBI	2.19	1.90
Others	543.14	508.19
Total	**11,075.72**	**8,653.37**
Net Deferred Tax Assets/ (Liabilities)	**1,561.33**	**(1,769.22)**

3.7 Impairment of assets:

In the opinion of the Management, there is no impairment to the assets during the year to which Accounting Standard 28 — "Impairment of Assets" applies.

3.8 Provisions, Contingent Liabilities & Contingent Assets:

➢ **Provisions and contingencies recognised in Profit and Loss Account:**

₹ in crore

Sr. No.	Particulars	Current Year	Previous Year
a)	Provision for Taxation		
	- Current Tax	4,842.56	5,350.36
	- Deferred Tax	(3,507.06)	83.18
	- Other Taxes	—	(0.04)
b)	Provision on Non-Performing Assets	57,155.07	38,024.06
c)	Provision on Restructured Assets	(1,238.32)	(2,912.87)
d)	Provision on Standard Assets	2,191.63	2,284.22
e)	Provision for Depreciation on Investments	1,721.96	320.96
f)	Other Provisions	1,460.54	213.45
	Total	**62,626.38**	**43,363.32**

(Figures in brackets indicate credit)

➢ **Floating provisions:**

₹ in crore

Sr. No.	Particulars	Current Year	Previous Year
a)	Opening Balance	193.76	222.05
b)	Addition during the year	—	—
c)	Draw down during the year	—	28.29
d)	**Closing balance**	**193.76**	**193.76**

➢ **Description of contingent liabilities (AS - 29)**

Sr. No	Particulars	Brief Description
1	Claims against the Group not acknowledged as debts	The parent and its constituents are parties to various proceedings in the normal course of business. It does not expect the outcome of these proceedings to have a material adverse effect on the Group's financial conditions, results of operations or cash flows. The Group is a party to various taxation matters in respect of which appeals are pending.
2	Liability on partly paid-up investments/ Venture Funds	This item represents amounts remaining unpaid towards liability for partly paid investments. This also includes undrawn commitments for Venture Capital Funds.

Sr. No	Particulars	Brief Description
3	Liability on account of outstanding forward exchange contracts	The Group enters into foreign exchange contracts in its normal course of business to exchange currencies at a pre-fixed price at a future date. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. The notional amounts are recorded as contingent liabilities. With respect to the transactions entered into with its customers, SBI generally enters into off-setting transactions in the interbank market. This results in generation of a higher number of outstanding transactions, and hence a large value of gross notional principal of the portfolio, while the net market risk is lower.
4	Guarantees given on behalf of constituents, acceptances, endorsements and other obligations	As a part of its commercial banking activities, the Group issues documentary credits and guarantees on behalf of its customers. Documentary credits enhance the credit standing of the customers of the Group. Guarantees generally represent irrevocable assurances that the Bank will make payment in the event of the customer failing to fulfil its financial or performance obligations.
5	Other items for which the Group is contingently liable	The Group enters into currency options, forward rate agreements, currency swaps and interest rate swaps with inter-Bank participants on its own account and for customers. Currency swaps are commitments to exchange cash flows by way of interest/principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. The notional amounts that are recorded as Contingent Liabilities, are typically amounts used as a benchmark for the calculation of the interest component of the contracts. Further, these also include estimated amount of contracts remaining to be executed on capital account and not provided for, letter of comforts issued by SBI on behalf of Associates & Subsidiaries, SBI's Liability under Depositors Education and Awareness Fund A/c and other sundry contingent liabilities.

The contingent liabilities mentioned above are dependent upon the outcome of court/arbitration/out of court settlements, disposal of appeals, the amount being called up, terms of contractual obligations, devolvement and raising of demand by concerned parties, as the case may be.

➢ **Movement of provisions against contingent liabilities:**

₹ in crore

Particulars	Current Year	Previous Year
a) Opening Balance	718.21	1,077.91
b) Additions during the year	438.30	240.83
c) Amount utilised during the year	7.47	286.02
d) Unused amount reversed during the year	127.66	314.51
e) **Closing balance**	**1,021.38**	**718.21**

4 Inter Office Accounts between branches, controlling offices, local head offices and corporate centre establishments of each domestic banking entity are being reconciled on an ongoing basis. Inter-Bank/ Company balances between group entities are also being reconciled on an ongoing basis. No material effect is expected on the profit and loss account of the current year.

5 During the year, Domestic Banking Subsidiaries have adopted the policy to make appropriate provisioning on a prudent basis based on inherent weakness in common loans and advances in SBI Group as a whole. This has resulted an increase of Gross NPAs by ₹21,938.48 crore and incremental provision of ₹13,532.67 crore (including standard asset provision of ₹765.96 crore).

6 Sale of Assets to Reconstruction Companies:

Shortfall on account of sale of assets to reconstruction companies during the year of SBI and its Domestic Banking Subsidiaries, amounting to ₹84.75 crore (Previous Year ₹1,669.24 crore) and also unamortised amount as at March 31, 2016 amounting to ₹2,281.20 crore have been fully amortised in the current year.

7 Counter Cyclical Provisioning Buffer (CCPB):

RBI vide Circular No. DBR.No.BP.BC.79/21.04.048/2014-15 dated March 30, 2015 on 'Utilisation of Floating Provisions/ Counter Cyclical Provisioning Buffer' has allowed the banks, to utilise up to 50 per cent of CCPB held by them as on December 31, 2014, for making specific provisions for Non-Performing Assets (NPAs) as per the policy approved by the Bank's Board of Directors. During the year, SBI and its Domestic Banking Subsidiaries have not utilized the CCPB for making specific provision for NPAs.

8 Food Credit:

In accordance with RBI instruction, SBI and Domestic Banking subsidiaries have made a provision amounting to ₹1067.81 crore (Previous Year ₹715.98 crore) against outstanding in the long term food credit for food credit advance to a State Government pending resolution by stakeholders.

9 Revaluation of Banks' Properties:

a) During the year SBI and its 4 Domestic Banking Subsidiaries have revalued immovable properties based on the reports obtained from external independent valuers. The revaluation surplus was credited to revaluation reserve.

b) The closing balance of Revaluation Reserve as on March 31, 2017 (net of amount transferred to General Reserve), is ₹ 35,593.88 crore.

10 Acquisition of Domestic Banking subsidiaries & Bharatiya Mahila Bank Ltd:

The Government of India (GOI) has accorded sanction under sub section (2) of section 35 of the State Bank of India Act, 1955 , for acquisition of the five Domestic Banking Subsidiaries of State Bank of India (SBI) namely, State Bank of Bikaner and Jaipur (SBBJ), State Bank of Mysore (SBM), State Bank of Travancore (SBT), State Bank of Patiala (SBP), State Bank of Hyderabad (SBH) and for acquisition of Bharatiya Mahila Bank Limited (BMBL) (hereinafter collectively referred to as Transferor Banks) vide their orders dated February 22, 2017 and March 20,2017. As per the GOI orders, these schemes for acquisition shall come into effect on April 1, 2017 (hereafter referred to as effective date).

The undertakings of the Transferor Banks which shall be deemed to include all business, assets, liabilities, Reserves and Surplus, present or contingent and all other rights and interest arising out of such property as were immediately before the effective date in the ownership, possession or power of the Transferor Banks shall be transferred to and will vest in SBI on and from the effective date.

Necessary accounting adjustments in this regard will be made on the effective date.

11 In respect of SBI Life Insurance Company Ltd., IRDAI has issued directions under Section 34(1) of the Insurance Act, 1938 to distribute the administrative charges paid to Master policy holders vide order no. IRDA/Life/ORD/ Misc/228/10/2012 dated October 5, 2012 amounting to ₹ 84.32 crore (Previous Year ₹ 84.32 crore) and to refund the excess commission paid to corporate agent vide order no. IRDA/Life/ORD/Misc/083/03/ 2014 dated March 11, 2014 amounting to ₹ 275.29

crore (Previous Year ₹ 275.29 crore) respectively to the members or the beneficiaries. IRDAI issued further directions dated January 11, 2017 reiterating the directions issued on October 5, 2012. The company has filed appeals against the said directions/ orders with the Appellate Authorities (i.e. Ministry of Finance, Govt. of India) and Securities Appellate Tribunal (SAT). As the final orders are pending, the aforesaid amounts have been disclosed as contingent liability.

12 The investments of life and general insurance subsidiaries have been accounted for in accordance with the IRDA (Investment) Regulations, 2016 instead of restating the same in accordance with the accounting policy followed by the banks. The investments of insurance subsidiaries constitute approximate 9.35% (Previous Year 11.03%) of the total investments as on March 31, 2017.

13 In accordance with RBI circular DBOD NO.BP. BC.42/21.01.02/2007-08, redeemable preference shares (if any) are treated as liabilities and the coupon payable thereon is treated as interest.

14 In accordance with current RBI guidelines, the general clarification issued by ICAI has been considered in the preparation of the consolidated financial statements. Accordingly, additional statutory information disclosed in separate financial statements of the parent and its subsidiaries having no bearing on the true and fair view of the consolidated financial statements and also the information pertaining to the items which are not material have not been disclosed in the consolidated financial statements in view of the Accounting Standard Interpretation issued by ICAI.

15 Previous year figures have been regrouped/reclassified, wherever necessary, to conform to current year classification. In cases where disclosures have been made for the first time in terms of RBI guidelines/Accounting Standards, previous year’s figures have not been mentioned.

INDEPENDENT AUDITOR'S REPORT

To
The President of India,

Report on the Standalone Financial Statements

1. We have audited the accompanying standalone financial statements of State Bank of India ("the Bank") as at March 31 2017, which comprises the Balance Sheet as at March 31, 2017, the Profit and Loss Account and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information. Incorporated in these standalone financial statements are the returns of-

   i) The Central Offices, 14 Local Head Offices, Global Market Group, International Business Group, Corporate Accounts Group (Central), Mid-Corporate Group (Central), Stressed Assets Management Group (Central) and 42 branches audited by us;

   ii) 9,873 Indian Branches audited by other auditors;

   iii) 53 Foreign Branches audited by the local auditors.

   The branches audited by us and those audited by other auditors have been selected by the Bank in accordance with the guidelines issued to the Bank by the Reserve Bank of India. Also incorporated in the Balance Sheet and the Profit and Loss Account are the returns from 8,200 Indian Branches (including other accounting units) which have not been subjected to audit. These unaudited branches account for 3.86 % of advances, 15.50% of deposits, and 4.90 % of interest income and 14.51 % of interest expenses.

Management's Responsibility for the Standalone Financial Statements

2. The Bank's management is responsible for the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the requirements of the Reserve Bank of India, the provisions of the Banking Regulation Act, 1949, the State Bank of India Act, 1955 and recognised accounting policies and practices, including the Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI). This responsibility of the management includes the design, implementation and maintenance of internal controls and risk management systems relevant to the preparation of the standalone financial statements that are free from material misstatement, whether due to fraud or error. In making those risk assessments, the management has implemented such internal controls that are relevant to the preparation of the standalone financial statements and designed procedures that are appropriate in the circumstances so that the internal control with regard to all the activities of the Bank is effective.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these standalone financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the standalone financial statements. The procedures selected depend on the

auditor's judgment, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the standalone financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the standalone financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion, as shown by books of the Bank, and to the best of our information and according to the explanations given to us:

   (i) the Balance Sheet, read with the significant accounting policies and the notes thereon is a full and fair Balance Sheet containing all the necessary particulars, is properly drawn up so as to exhibit a true and fair view of state of affairs of the Bank as at March 31, 2017 in conformity with accounting principles generally accepted in India;

   (ii) the Profit and Loss Account, read with the significant accounting policies and the notes thereon shows a true balance of profit, in conformity with accounting principles generally accepted in India, for the year covered by the account; and

   (iii) the Cash Flow Statement gives a true and fair view of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

7. The Balance Sheet and the Profit and Loss Account have been drawn up in Forms "A" and "B" respectively of the Third Schedule to the Banking Regulation Act 1949 and these give information as required to be given by virtue of the provisions of the State Bank of India Act, 1955 and regulations there under.

8. Subject to the limitations of the audit indicated in paragraphs 1 to 5 above and as required by the State Bank of India Act, 1955, and subject also to the limitations of disclosure required there in, we report that:

   a) We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purposes of our audit and have found them to be satisfactory.

   b) The transactions of the Bank, which have come to our notice, have been within the powers of the Bank.

   c) The returns received from the offices and branches of the Bank have been found adequate for the purposes of our audit.

9. In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement comply with the applicable accounting standards.

In terms of our report of even date

For VARMA & VARMA
Chartered Accountants

CHERIAN K BABY
Partner : M.No.016043
Firm Regn. No. 004532 S

For V. SANKAR AIYAR & CO.
Chartered Accountants

G SANKAR
Partner : M No.046050
Firm Regn. No.109208 W

For S. N. MUKHERJI & CO.
Chartered Accountants

SUDIP K. MUKHERJI
Partner : M No.013321
Firm Regn. No. 301079 E

For B. CHHAWCHHARIA & CO.
Chartered Accountants

S. K. CHHAWCHHARIA
Partner: M.No. 008482
Firm Regn. No. 305123 E

For MANUBHAI & SHAH LLP
Chartered Accountants

HITESH M. POMAL
Partner: M.No.106137
Firm Regn. No.106041W/W100136

For M. BHASKARA RAO & CO.
Chartered Accountants

M. V. RAMANA MURTHY
Partner : M.No.206439
Firm Regn. No.000459 S

For GSA & ASSOCIATES
Chartered Accountants

SUNIL AGGARWAL
Partner : M No.083899
Firm Regn. No. 000257 N

For CHATTERJEE & CO.
Chartered Accountants

R. N. BASU
Partner : M No.050430
Firm Regn. No.302114 E

For BANSAL & CO.
Chartered Accountants

SURINDER K. BANSAL
Partner : M.No. 014301
Firm Regn. No. 001113 N

For AMIT RAY & CO.
Chartered Accountants

BASUDEB BANERJEE
Partner : M No.070468
Firm Regn. No. 000483 C

For S L CHHAJED & CO.
Chartered Accountants

S.N.SHARMA
Partner : M No. 071224
Firm Regn. No.000709 C

For MITTAL GUPTA & CO.
Chartered Accountants

AKSHAY KUMAR GUPTA
Partner: M.No. 070744
Firm Regn. No. 001874 C

For RAO & KUMAR
Chartered Accountants

K. PARVATHI KUMAR
Partner : M.No.11684
Firm Regn. No. 003089 S

For BRAHMAYYA & CO.
Chartered Accountants

N. SRI KRISHNA
Partner : M No. 026575
Firm Regn. No.000511 S

Place : Kolkata
Date : May 19, 2017

STATE BANK OF INDIA
BALANCE SHEET AS ON MARCH 31, 2017

(000s omitted)

CAPITAL AND LIABILITIES	Schedule No.	As on 31.03.2017 (Current Year)	As on 31.03.2016 (Previous Year)
		Rs.	Rs.
Capital	1	7,973,504	7,762,777
Reserves & Surplus	2	1,874,887,122	1,434,981,583
Deposits	3	20,447,513,947	17,307,224,361
Borrowings	4	3,176,936,583	3,233,445,861
Other Liabilities and Provisions	5	1,552,351,885	1,592,760,809
TOTAL		**27,059,663,041**	**23,576,175,391**
ASSETS			
Cash and Balances with Reserve Bank of India	6	1,279,976,177	1,296,293,253
Balances with Banks and money at call and short notice	7	439,740,321	378,383,312
Investments	8	7,659,896,309	5,756,517,828
Advances	9	15,710,783,811	14,637,004,175
Fixed Assets	10	429,189,179	103,892,772
Other Assets	11	1,540,077,244	1,404,084,051
TOTAL		27,059,663,041	23,576,175,391
Contingent Liabilities	12	10,464,409,319	97,195,60,058
Bills for Collection	—	656,404,204	922,116,483
Significant Accounting Policies	17		
Notes to Accounts	18		

Schedules referred to above form an integral part of the Balance Sheet

STATE BANK OF INDIA

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2017

(000s omitted)

		Schedule No.	Year ended 31.03.2017 (Current Year)	Year ended 31.03.2016 (Previous Year)
			₹	₹
I.	**INCOME**			
	Interest earned	13	1,755,182,404	1,639,982,975
	Other Income	14	354,609,275	278,453,687
	TOTAL		**2,109,791,679**	**1,918,436,662**
II.	**EXPENDITURE**			
	Interest expended	15	1,136,585,034	1,068,034,921
	Operating expenses	16	464,727,694	417,823,665
	Provisions and contingencies		403,637,925	333,071,539
	TOTAL		**2,004,950,653**	**1,818,930,125**
III.	**PROFIT**			
	Net Profit for the year		104,841,026	99,506,537
	Profit brought forward		3,168	3,248
	TOTAL		**104,844,194**	**99,509,785**
IV.	**APPROPRIATIONS**			
	Transfer to Statutory Reserve		31,452,308	29,851,961
	Transfer to Capital Reserve		14,933,864	3,452,746
	Transfer to Revenue and other Reserves		34,305,464	42,673,510
	Dividend for the previous year paid during the year (including Tax on Dividend)		—	80
	Dividend for the current year		21,085,629	20,183,220
	Tax on Dividend for the Current year		3,063,761	3,345,100
	Balance carried over to Balance Sheet		3,168	3,168
	TOTAL		**104,844,194**	**99,509,785**
	Basic Earnings per Share		₹13.43	₹12.98
	Diluted Earnings per Share		₹13.43	₹12.98
	Significant Accounting Policies	17		
	Notes to Accounts	18		

Schedules referred to above form an integral part of the Profit & Loss Account.

STATE BANK OF INDIA

CASH FLOW STATEMENT FOR THE YEAR ENDED ON MARCH 31, 2017

(₹ in 000)

Particulars		Year ended on 31.03.2017	Year ended on 31.03.2016
		₹	₹
CASH FLOW FROM OPERATING ACTIVITIES:			
Net Profit before Taxes		148,551,627	137,740,574
Adjustments for:			
Depreciation on Fixed Assets		22,933,096	17,003,045
(Profit)/Loss on sale of Fixed Assets (Net)		370,549	166,937
(Profit)/Loss on revaluation of Investments (Net)		—	1,516,743
(Profit)/Loss on sale of Investments Subsidiaries, Associates, Joint Ventures		(17,550,000)	(1,080,000)
Provision for diminution in fair value & Non Performing Assets		322,466,915	269,841,436
Provision on Standard Assets		24,996,429	21,575,491
Provision for Investment depreciation/(appreciation)		2,983,939	1,495,588
Other provisions including provision for contingencies.		9,480,040	1,924,987
Income from investment in subsidiaries, joint Ventures, Associates		(6,883,540)	(4,758,257)
Interest paid on Capital Instruments		41,952,359	37,228,038
		549,301,414	482,654,582
Adjustments for:			
Increase/(Decrease) in Deposits		3,140,289,586	1,539,291,911
Increase/ (Decrease) in Borrowings other than Capital Instruments		(46,407,153)	1,120,567,640
(Increase)/ Decrease in Investments other than investments in Subsidiaries/Joint Ventures/Associates		(1,880,050,005)	(926,004,979)
(Increase)/ Decrease in Advances		(1,396,246,551)	(1,906,581,681)
Increase/ (Decrease) in Other Liabilities		(74,695,080)	228,468,370
(Increase)/ Decrease in Other Assets		(180,512,683)	(345,836,876)
Reduction in FCTR on disposal of investments in non-integral Operations		—	(8,739,235)
		111,679,528	183,819,732
Tax refund/ (Taxes paid)		(1,076,317)	(71,854,260)
NET CASH GENERATED FROM/ (USED IN) OPERATING ACTIVITIES	A	110,603,211	111,965,472
CASH FLOW FROM INVESTING ACTIVITIES			
(Increase)/ Decrease in Investments in Subsidiaries/Joint Ventures/Associates		(26,312,415)	(15,937,702)
Profit/(Loss) on sale of Investments Subsidiaries, Associates, Joint Ventures		17,550,000	1,080,000
Dividend received from Subsidiaries/Joint Ventures/Associates		6,883,540	4,758,257
(Increase)/ Decrease in Fixed Assets		(29,605,619)	(27,384,272)
NET CASH GENERATED FROM/ (USED IN) INVESTING ACTIVITIES	B	(31,484,494)	(37,483,717)

(₹ in 000)

Particulars		Year ended on 31.03.2017	Year ended on 31.03.2016
		₹	₹
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of equity shares including share premium		56,748,291	53,844,957
Issue/(redemption) of Capital Instruments (NET)		(9,224,000)	59,028,420
Interest on Capital Instruments		(41,952,359)	(37,228,038)
Dividends paid including tax thereon		(23,374,638)	(30,586,586)
NET CASH GENERATED FROM/ (USED IN) FINANCING ACTIVITIES	C	(17,802,706)	4505,87,53
EFFECT OF EXCHANGE FLUCTUATION ON TRANSLATION RESERVE	D	(16,276,078)	757,82,36
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	(A+B+C+D)	45,039,933	127,118,744
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		1,674,676,565	1,547,557,821
CASH AND CASH EQUIVALENTS AS AT END OF THE YEAR		1,719,716,498	1,674,676,565

Note: Components of Cash & Cash Equivalents as at:	31.03.2017	31.03.2016
Cash & Balance with RBI	1,279,976,177	1,296,293,253
Balances with Banks and money at call & short notice	439,740,321	378,383,312
	1,719,716,498	1,674,676,565

Schedule 1 - Capital

	As on 31.03.2017 (Current Year)	As on 31.03.2016 (Previous Year)
	(000s omitted)	
	₹	₹
Authorised Capital :		
50,000,000,000 shares of ₹ 1 each (Previous Year 50,000,000,000 shares of ₹ 1 each)	50,000,000	50,000,000
Issued Capital :		
7,974,325,472 Equity Shares of ₹ 1 each (Previous Year 7,763,598,072 Equity Shares of ₹ 1 each)	7,974,325	7,763,598
Subscribed and Paid-up Capital :		
7,973,504,442 Equity Shares of ₹ 1 each (Previous Year 7,762,777,042 Equity Shares of ₹ 1 each)	7,973,504	7,762,777
The above includes 127,016,300 Equity Shares of ₹ 1 each(Previous year 144,593,240 Equity Shares of ₹ 1 each) represented by 12,701,630 (Previous year 14,459,324) global Depository Receipts		
TOTAL	**7,973,504**	**7,762,777**

Schedule 2 - Reserves & Surplus

		As on 31.03.2017 (Current Year)		As on 31.03.2016 (Previous Year)	
					(000s omitted)
		₹		₹	
I.	**Statutory Reserves**				
	Opening Balance	508,246,059		478,394,098	
	Additions during the year.	31,452,308		29,851,961	
	Deductions during the year	—		—	
			539,698,367		508,246,059
II.	**Capital Reserves**				
	Opening Balance	21,947,895		18,495,149	
	Additions during the year.	14,933,864		3,452,746	
	Deductions during the year	—		—	
			36,881,759		21,947,895
III.	**Share Premium**				
	Opening Balance	497,694,771		414,446,860	
	Additions during the year.	56,599,272		83,334,499	
	Deductions during the year	61,707		86,588	
			554,232,336		497,694,771
IV.	**Foreign Currency Translation Reserve**				
	Opening Balance	60,562,472		61,723,471	
	Additions during the year.	—		7,578,236	
	Deductions during the year	16,276,078		8,739,235	
			44,286,394		60,562,472

(000s omitted)

	As on 31.03.2017 (Current Year)		As on 31.03.2016 (Previous Year)	
	₹		₹	
V. Revenue and Other Reserves*				
Opening Balance	346,527,218		303,853,708	
Additions during the year	37,401,381		42,673,510	
Deductions during the year	—		—	
		383,928,599		346,527,218
VI. Revaluation Reserve				
Opening Balance	—		—	
Additions during the year	318,952,417		—	
Deductions during the year	3,095,918		—	
		315,856,499		-
VII. Balance of Profit and Loss Account		3,168		3,168
* Note: Revenue and Other Reserves include (i) ₹50,000 thousand (Previous Year ₹50,000 thousand) of Integration and Development Fund (maintained under Section 36 of the State Bank of India Act, 1955) (ii)Special Reserve under Section 36(1)(viii) of the Income Tax Act, 1961 ₹101,776,723 thousand (Previous Year ₹84,991,816 thousand)				
TOTAL		**1,874,887,122**		**1,434,981,583**

Schedule 3 - Deposits

(000s omitted)

	As on 31.03.2017 (Current Year)	As on 31.03.2016 (Previous Year)
	₹	₹
A. I. Demand Deposits		
(i) From Banks	55,074,388	57,355,863
(ii) From Others	1,469,136,668	1,340,714,466
II. Savings Bank Deposits	7,589,613,854	5,977,460,602
III. Term Deposits		
(i) From Banks	195,610,568	68,185,965
(ii) From Others	11,138,078,469	9,863,507,465
TOTAL	**20,447,513,947**	**17,307,224,361**
B I. Deposits of Branches in India	19,533,000,827	16,364,245,865
II. Deposits of Branches outside India	914,513,120	942,978,496
TOTAL	**20,447,513,947**	**17,307,224,361**

Schedule 4 - Borrowings

(000s omitted)

		As on 31.03.2017 (Current Year)		As on 31.03.2016 (Previous Year)
		₹		₹
I. Borrowings in India				
(i) Reserve Bank of India		50,000,000		991,540,000
(ii) Other Banks.		14,750,000		—
(iii) Other Institutions and Agencies		694,892,676		19,025,233
(iv) Capital Instruments :				
a. Innovative Perpetual Debt Instruments (IPDI)	92,650,000		21,650,000	
b. Subordinated Debt	324,063,380		423,742,380	
		416,713,380		445,392,380
TOTAL		**1,176,356,056**		**1,455,957,613**
II. Borrowings outside India				
(i) Borrowings and Refinance outside India		1,940,594,277		1,736,078,873
(ii) Capital Instruments :				
Innovative Perpetual Debt Instruments (IPDI)		59,986,250		41,409,375
TOTAL		**2,000,580,527**		**1,777,488,248**
GRAND TOTAL		**3,176,936,583**		**3,233,445,861**
Secured Borrowings included in I & II above .		775,762,694		1,072,007,779

Schedule 5 - Other Liabilities and Provisions

(000s omitted)

	As on 31.03. 2017 (Current Year)	As on 31.03.2016 (Previous Year)
	₹	₹
I. Bills payable	266,668,428	184,384,565
II. Inter-office adjustments (Net)	356,455,415	368,434,674
III. Interest accrued	130,809,199	249,347,920
V. Deferred Tax Liabilities (Net)	29,897,714	26,849,565
V. Others (including provisions)*		
* Includes prudential provision for Standard Assets ₹ 136,782,356 thousand (Previous Year ₹ 111,885,982 thousand)	768,521,129	763,744,085
TOTAL	**1,552,351,885**	**1,592,760,809**

Schedule 6 - Cash And Balances With Reserve Bank of India

(000s omitted)

	As on 31.03.2017 (Current Year)	As on 31.03.2016 (Previous Year)
	₹	₹
I. Cash in hand (including foreign currency notes and gold)	120,303,117	150,809,189
II. Balance with Reserve Bank of India		
(i) In Current Account	1,159,673,060	1,145,484,064
(ii) In Other Accounts	—	—
TOTAL	**1,279,976,177**	**1,296,293,253**

Schedule 7 - Balances With Banks and Money at Call & Short Notice

(000s omitted)

	As on 31.03.2017 (Current Year) ₹	As on 31.03.2016 (Previous Year) ₹
I. In India		
(i) Balances with banks		
(a) In Current Accounts	1,908,627	1,519,416
(b) In Other Deposit Accounts	—	—
(ii) Money at call and short notice		
(a) With banks	67,430,000	29,720,000
(b) With other institutions	—	—
TOTAL	**69,338,627**	**31,239,416**
II. Outside India		
(i) In Current Accounts	228,074,551	240,849,046
(ii) In Other Deposit Accounts	44,547,798	11,444,621
(iii) Money at call and short notice	97,779,345	94,850,229
TOTAL	**370,401,694**	**347,143,896**
GRAND TOTAL (I & II)	**439,740,321**	**378,383,312**

Schedule 8 - Investments

(000s omitted)

	As on 31.03.2017 (Current Year) ₹	As on 31.03.2016 (Previous Year) ₹
I. Investments in India in :		
(i) Government Securities	5,752,387,065	4,595,528,765
(ii) Other approved securities	—	—
(iii) Shares	54,456,997	37,438,086
(iv) Debentures and Bonds	598,474,025	411,113,635
(v) Subsidiaries and/ or Joint Ventures (including Associates)	113,634,535	87,842,326
(vi) Others (Units of Mutual Funds, Commercial Papers etc.)	723,636,394	230,227,882
TOTAL	**7,242,589,016**	**5,362,150,694**
II. Investments outside India in :		
(i) Government Securities (including local authorities)	88,210,182	99,699,418
(ii) Subsidiaries and/ or Joint Ventures abroad	26,437,500	25,917,294
(iii) Other Investments (Shares, Debentures etc.)	302,659,611	268,750,422
TOTAL	**417,307,293**	**394,367,134**
GRAND TOTAL (I & II)	7,659,896,309	5,756,517,828
III. Investments in India :		
(i) Gross Value of Investments	7,254,214,168	5,371,090,562
(ii) Less: Aggregate of Provisions / Depreciation	11,625,152	8,939,868
(iii) Net Investments (vide I above) **TOTAL**	**7,242,589,016**	**5,362,150,694**
IV. Investments outside India :		
(i) Gross Value of Investments	418,157,658	394,963,230
(ii) Less: Aggregate of Provisions / Depreciation	850,365	596,096
(iii) Net Investments (vide II above) **TOTAL**	**417,307,293**	**394,367,134**
GRAND TOTAL (III & IV)	7,659,896,309	5,756,517,828

Schedule 9 - Advances

			As on 31.03.2017 (Current Year)	As on 31.03.2016 (Previous Year)
			(000s omitted)	
			₹	₹
A.	I.	Bills purchased and discounted	739,978,642	943,607,033
	II.	Cash credits, overdrafts and loans repayable on demand	6,050,163,399	5,894,423,319
	III.	Term loans	8,920,641,770	7,798,973,823
	TOTAL		**15,710,783,811**	**14,637,004,175**
B.	I.	Secured by tangible assets (includes advances against Book Debts)	12,061,853,370	10,862,063,664
	II.	Covered by Bank/ Government Guarantees	820,069,183	617,149,956
	III.	Unsecured	2,828,861,258	3,157,790,555
	TOTAL		**15,710,783,811**	**14,637,004,175**
C.	I.	Advances in India		
		(i) Priority Sector	3,412,575,006	3,285,514,999
		(ii) Public Sector	1,216,306,269	1,444,019116
		(iii) Banks	14,044,469	14,737,493
		(iv) Others	8,233,491,879	7,256,044,416
	TOTAL		**12,876,417,623**	**12,000,316,024**
	II.	Advances outside India		
		(i) Due from banks	878,027,538	716,286,237
		(ii) Due from others		
		(a) Bills purchased and discounted	116,726,158	151,790,589
		(b) Syndicated loans	1,010,777,418	885,793,830
		(c) Others	828,835,074	882,817,495
		TOTAL	**2,834,366,188**	**2,636,688,151**
		GRAND TOTAL (CI & CII)	15,710,783,811	14,637,004,175

Schedule 10 - Fixed Assets

(000s omitted)

	As on 31.03.2017 (Current Year)		As on 31.03.2016 (Previous Year)	
	₹		₹	
I. Premises (Including Revalued Premises)				
At cost as on 31st March of the preceding year	36,345,800		34,193,911	
Additions:				
during the year	4,357,961		2,151,889	
for Revaluation	318,952,417		—	
Deductions during the year	43,192		—	
Depreciation to date				
on cost	5,791,577		4,910,822	
on Revaluation	3,095,918		—	
		350,725,491	—	31,434,978
II. Other Fixed Assets (including furniture and fixtures)				
At cost as on 31st March of the preceding year	195,512,004		175,423,545	
Additions during the year	27,081,372		22,805,865	
Deductions during the year	4,029,843		2,717,406	
Depreciation to date	145,839,116		128,755,382	
		72,724,417		66,756,622
III. Leased Assets				
At cost as on 31st March of the preceding year	—		2,087,020	
Additions during the year	—		—	
Deductions during the year	—		2,087,020	
Depreciation to date including provision	—		—	
		—		—
IV. Assets under Construction (Including Premises)		5,739,271		5,701,172
TOTAL (I, II, III & IV)		**429,189,179**		**103,892,772**

Schedule 11 - Other Assets

		As on 31.03.2017 (Current Year)	As on 31.03.2016 (Previous Year)
		(000s omitted)	
		₹	₹
I.	Inter-office adjustments (Net)	—	—
II.	Interest accrued	186,588,785	162,279,580
III.	Tax paid in advance / tax deducted at source	88,141,805	126,982,868
IV.	Deferred Tax Assets (Net)	4,279,049	4,725,188
V.	Stationery and stamps	908,091	1,026,731
VI.	Non-banking assets acquired in satisfaction of claims	39,100	39,100
VII.	Others*	1,260,120,414	1,109,030,584
	* Includes Deposits placed with NABARD/SIDBI/NHB amounting to ₹594,072,213 thousand (Previous Year ₹ 524,012,593 thousand)		
	TOTAL	**1,540,077,244**	**1,404,084,051**

Schedule 12 - Contingent Liabilities

		As on 31.03.2017 (Current Year)	As on 31.03.2016 (Previous Year)
		(000s omitted)	
		₹	₹
I.	Claims against the bank not acknowledged as debts	289,710,214	123,470,303
II.	Liability for partly paid investments/ Venture Funds	5,999,540	1,545,516
III.	Liability on account of outstanding forward exchange contracts	5,726,015,362	5,063,548,797
IV.	Guarantees given on behalf of constituents		
	(a) In India	1,312,077,338	1,358,115,197
	(b) Outside India	711,521,081	827,999,790
V.	Acceptances, endorsements and other obligations	1,000,595,731	1,069,285,226
VI.	Other items for which the bank is contingently liable*	1,418,490,053	1,275,595,229
	* Includes Derivatives ₹1,396,697,558 thousand (Previous Year ₹1,258,568,650 thousand)		
	TOTAL	**10,464,409,319**	**9,719,560,058**

Schedule 13 - Interest Earned

(000s omitted)

		Year ended 31.03.2017 (Current Year)	Year ended 31.03.2016 (Previous Year)
		₹	₹
I.	Interest / discount on advances / bills	1,195,100,030	1,156,660,122
II.	Income on investments	482,053,054	423,039,793
III.	Interest on balances with Reserve Bank of India and other inter-bank funds	17,534,671	6,210,684
IV.	Others	60,494,649	54,072,376
	TOTAL	**1,755,182,404**	**1,639,982,975**

Schedule 14 - Other Income

(000s omitted)

		Year ended 31.03.2017 (Current Year)	Year ended 31.03.2016 (Previous Year)
		₹	₹
I.	Commission, exchange and brokerage	162,765,734	144,159,800
II.	Profit / (Loss) on sale of investments (Net)	107,496,195	51,687,959
III.	Profit/ (Loss) on revaluation of investments (Net)	—	(1,516,743)
IV.	Profit / (Loss) on sale of land, buildings and other assets (Net)	(370,548)	(166,937)
V.	Profit / (Loss) on exchange transactions (Net)	23,884,490	17,993,494
VI.	Income earned by way of dividends, etc., from subsidiaries/ companies and/ or joint ventures abroad/ in India	6,883,540	4,758,257
VII.	Income from financial lease	—	—
VIII	Miscellaneous Income[1]	53,949,864	61,537,857
	TOTAL	**354,609,275**	**278,453,687**

[1] Miscellaneous Income includes Recoveries made in write-off Accounts ₹ 34,769,383 thousand (previous year ₹ 28,586,151 thousand)

Schedule 15 - Interest Expended

(000s omitted)

		Year ended 31.03.2017 (Current Year)	Year ended 31.03.2016 (Previous Year)
		₹	₹
I.	Interest on deposits	1,055,987,522	988,649,884
II.	Interest on Reserve Bank of India/ Inter-bank borrowings	38,374,697	41,542,959
III.	Others	42,222,815	37,842,078
	TOTAL	**1,136,585,034**	**1,068,034,921**

Schedule 16 - Operating Expenses

		Year ended 31.03.2017 (Current Year)	Year ended 31.03.2016 (Previous Year)
		(000s omitted)	
		₹	₹
I.	Payments to and provisions for employees	264,892,801	251,138,246
II.	Rent, taxes and lighting	39,568,626	37,091,528
III.	Printing and stationery	4,111,779	3,768,138
IV.	Advertisement and publicity	2,811,358	3,076,406
V.	(a) Depreciation on Bank's property (other than Leased Assets)	22,933,095	17,003,045
	(b) Depreciation on Leased Assets	—	—
VI.	Directors' fees, allowances and expenses	8,612	6,337
VII.	Auditors' fees and expenses (including branch auditors' fees and expenses)	2,161,088	1,970,421
VIII.	Law charges	1,895,607	1,795,008
IX.	Postages, Telegrams, Telephones, etc.	7,599,519	6,093,530
X.	Repairs and maintenance	6,397,529	5,980,843
XI.	Insurance	19,292,312	17,180,367
XII.	Other expenditure	93,055,368	72,719,796
	TOTAL	**464,727,694**	**417,823,665**

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (UNCONSOLIDATED) FOR THE YEAR ENDED MARCH 31, 2017

SCHEDULE 17- SIGNIFICANT ACCOUNTING POLICIES:

A. BASIS OF PREPARATION:

The Bank's financial statements are prepared under the historical cost convention, on the accrual basis of accounting on going concern basis, unless otherwise stated and conform in all material aspects to Generally Accepted Accounting Principles (GAAP) in India, which comprise applicable statutory provisions, regulatory norms/guidelines prescribed by the Reserve Bank of India (RBI), Banking Regulation Act 1949, Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI), and the practices prevalent in the banking industry in India.

B. USE OF ESTIMATES:

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amount of assets and liabilities (including contingent liabilities) as on the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

C. SIGNIFICANT ACCOUNTING POLICIES:

1. Revenue recognition:

1.1 Income and expenditure are accounted on accrual basis, except otherwise stated. As regards Bank's foreign offices, income and expenditure are recognised as per the local laws of the country in which the respective foreign office is located.

1.2 Interest/Discount income is recognised in the Profit and Loss Account as it accrues except: (i) income from Non-Performing Assets (NPAs), comprising of advances, leases and investments, which is recognised upon realisation, as per the prudential norms prescribed by the RBI/respective country regulators in the case of foreign offices (hereafter collectively referred to as Regulatory Authorities), (ii) overdue interest on investments and bills discounted, (iii) Income on Rupee Derivatives designated as "Trading", which are accounted on realisation.

1.3 Profit or Loss on sale of investments is recognised in the Profit and Loss Account. However, the profit on sale of investments in the 'Held to Maturity' category is appropriated (net of applicable taxes and amount required to be transferred to statutory reserve), to 'Capital Reserve Account'.

1.4 Income from finance leases is calculated by applying the interest rate implicit in the lease to the net investment outstanding in the lease, over the primary lease period. Leases effective from April 1, 2001 are accounted as advances at an amount equal to the net investment in the lease as per Accounting Standard 19 —"Leases" issued by ICAI. The lease rentals are apportioned between principal and finance income based on a pattern reflecting a constant periodic return on the net investment outstanding in respect of finance leases. The principal amount is utilized for reduction in balance of net investment in lease and finance income is reported as interest income.

1.5 Income (other than interest) on investments in "Held to Maturity (HTM)" category acquired at a discount to the face value, is recognised as follows :

a. On Interest bearing securities, it is recognised only at the time of sale/redemption.

b. On zero-coupon securities, it is accounted for over the balance tenor of the security on a constant yield basis.

1.6 Dividend is accounted on an accrual basis where the right to receive the dividend is established.

1.7 All other commission and fee incomes are recognised on their realisation except for: (i) Guarantee commission on deferred payment guarantees, which is spread over the period of the guarantee; (ii) Commission on Government Business and ATM interchange fees, which are recognised as they accrue; and (iii) Upfront fees on restructured accounts, which is apportioned over the restructured period.

1.8 One time Insurance Premium paid under Special Home Loan Scheme (December 2008 to June 2009) is amortised over average loan period of 15 years.

1.9 Brokerage, Commission etc. paid/incurred in connection with issue of Bonds/Deposits are amortized over the tenure of the related Bonds/Deposits and the expenses incurred in connection with the issue are charged upfront.

1.10 The sale of NPA is accounted as per guidelines prescribed by RBI :-

i. When the bank sells its financial assets to Securitisation Company (SC)/ Reconstruction Company (RC), the same is removed from the books.

ii. If the sale is at a price below the net book value (NBV) (i.e., book value less provisions held), the shortfall is debited to the Profit and Loss Account in the year of sale.

iii. If the sale is for a value higher than the NBV, the excess provision is written back in the year the amounts are received, as permitted by the RBI.

2. Investments:

The transactions in all securities are recorded on "Settlement Date".

2.1 Classification

Investments are classified into three categories, viz. Held to Maturity (HTM), Available for Sale (AFS) and Held for Trading (HFT) as per RBI Guidelines.

2.2 Basis of classification:

i. Investments that the Bank intends to hold till maturity are classified as "Held to Maturity (HTM)".

ii. Investments that are held principally for resale within 90 days from the date of purchase are classified as "Held for Trading (HFT)".

iii. Investments, which are not classified in the above two categories, are classified as "Available for Sale (AFS)".

iv. An investment is classified as HTM, HFT or AFS at the time of its purchase and subsequent shifting amongst categories is done in conformity with regulatory guidelines.

v. Investments in subsidiaries, joint ventures and associates are classified as HTM.

2.3 Valuation:

i. In determining the acquisition cost of an investment:

(a) Brokerage/commission received on subscriptions is reduced from the cost.

(b) Brokerage, Commission, Securities Transaction Tax (STT) etc., paid in connection with acquisition of investments are expensed upfront and excluded from cost.

(c) Broken period interest paid/received on debt instruments is treated as interest expense/income and is excluded from cost/ sale consideration.

(d) Cost is determined on the weighted average cost method for investments under AFS and HFT category and on FIFO basis (first in first out) for investments under HTM category.

ii. Transfer of securities from HFT/AFS category to HTM category is carried out at the lower of acquisition cost/ book value/market value on the date of transfer. The depreciation, if any, on such transfer is fully provided for. However, transfer of securities from HTM category to AFS category is carried out on acquisition price/book value. After transfer, these securities are immediately revalued and resultant depreciation, if any, is provided.

iii. Treasury Bills and Commercial Papers are valued at carrying cost.

iv. Held to Maturity category: a) Investments under Held to Maturity category are carried at acquisition cost unless it is more than the face value, in which case the premium is amortised over the period of remaining maturity on constant yield basis. Such amortisation of premium is adjusted against income under the head “interest on investments”. b) Investments in subsidiaries, joint ventures and associates (both in India and abroad) are valued at historical cost. A provision is made for diminution, other than temporary, for each investment individually. c) Investments in Regional Rural Banks are valued at carrying cost (i.e. book value).

v. Available for Sale and Held for Trading categories: Investments held under AFS and HFT categories are individually revalued at the market price or fair value determined as per Regulatory guidelines, and only the net depreciation of each group for each category (viz., (i) Government securities (ii) Other Approved Securities (iii) Shares (iv) Bonds and Debentures (v) Subsidiaries and Joint Ventures; and (vi) others) is provided for and net appreciation, is ignored. On provision for depreciation, the book value of the individual security remains unchanged after marking to market.

vi. In case of sale of NPA (financial asset) to Securitisation Company (SC)/Asset Reconstruction Company (ARC) against issue of Security Receipts (SR), investment in SR is recognised at lower of: (i) Net Book Value (NBV) (i.e., book value less provisions held) of the financial asset; and (ii) Redemption value of SR. SRs issued by an SC/ARC are valued in accordance with the guidelines applicable to non-SLR instruments. Accordingly, in cases where the SRs issued by the SC/ARC are limited to the actual realisation of the financial assets assigned to the instruments in the concerned scheme, the Net Asset Value, obtained from the SC/ARC, is reckoned for valuation of such investments.

vii. Investments are classified as performing and non- performing, based on the guidelines issued by the RBI in the case of domestic offices and respective regulators in the case of foreign offices. Investments of domestic offices become non-performing where:

(a) Interest/installment (including maturity proceeds) is due and remains unpaid for more than 90 days.

(b) In the case of equity shares, in the event the investment in the shares of any company is valued at ₹ 1 per company on account of the non availability of the latest balance sheet, those equity shares would be reckoned as NPI.

(c) If any credit facility availed by an entity is NPA in the books of the Bank, investment in any of the securities issued by the same entity would also be treated as NPI and vice versa.

(d) The above would apply mutatis-mutandis to Preference Shares where the fixed dividend is not paid.

(e) The investments in debentures/bonds, which are deemed to be in the nature of advance, are also subjected to NPI norms as applicable to investments.

(f) In respect of foreign offices, provisions for NPIs are made as per the local regulations or as per the norms of RBI, whichever is more stringent.

viii. Accounting for Repo/Reverse Repo transactions (other than transactions under the Liquidity Adjustment Facility (LAF) with the RBI):

(a) The securities sold and purchased under Repo/Reverse Repo are accounted as Collateralized lending and borrowing transactions. However, securities are transferred as in the case of normal outright sale/purchase transactions and such movement of securities is reflected using the Repo/ Reverse Repo Accounts and Contra entries. The above entries are reversed on the date of maturity. Costs and revenues are accounted as interest expenditure/income, as the case may be. Balance in Repo Account is classified under Schedule 4 (Borrowings) and balance in Reverse Repo Account is classified under Schedule 7 (Balance with Banks and Money at Call & Short Notice).

(b) Interest expended/earned on Securities purchased/sold under LAF with RBI is accounted for as expenditure/revenue.

ix. Market repurchase and reverse repurchase transactions as well as the transactions with RBI under Liquidity Adjustment Facility (LAF) are accounted for as Borrowings and Lending transactions in accordance with the extant RBI guidelines.

3. Loans/Advances and Provisions thereon:

3.1 Loans and Advances are classified as performing and non-performing, based on the guidelines/directives issued by the RBI. Loan Assets become Non-Performing Assets (NPAs) where:

i. In respect of term loans, interest and/or instalment of principal remains overdue for a period of more than 90 days;

ii. In respect of Overdraft or Cash Credit advances, the account remains “out of order”, i.e. if the outstanding balance exceeds the sanctioned limit/ drawing power continuously for a period of 90 days, or if there are no credits continuously for 90 days as on the date of balance- sheet, or if the credits are not adequate to cover the interest debited during the same period;

iii. In respect of bills purchased/discounted, the bill remains overdue for a period of more than 90 days;

iv. In respect of agricultural advances: (a) for short duration crops, where the instalment of principal or interest remains overdue for two crop seasons; and (b) for long duration crops, where the principal or interest remains overdue for one crop season.

3.2 NPAs are classified into Sub-Standard, Doubtful and Loss Assets, based on the following criteria stipulated by RBI:

i. Sub-standard: A loan asset that has remained non- performing for a period less than or equal to 12 months.

ii. Doubtful: A loan asset that has remained in the sub- standard category for a period of 12 months.

iii. Loss: A loan asset where loss has been identified but the amount has not been fully written off.

3.3 Provisions are made for NPAs as per the extant guidelines prescribed by the regulatory authorities, subject to minimum provisions as prescribed below:

Substandard Assets:	i. A general provision of 15% on the total outstanding; ii. Additional provision of 10% for exposures which are unsecured ab-initio (i.e. where realisable value of security is not more than 10 percent ab-initio); iii. Unsecured Exposure in respect of infrastructure advances where certain safeguards such as escrow accounts are available - 20%.
Doubtful Assets:	
-Secured portion:	i. Upto one year 25% ii. One to three years 40% iii. More than three years 100%
-Unsecured portion	100%
Loss Assets:	100%

3.4 In respect of foreign offices, the classification of loans and advances and provisions for NPAs are made as per the local regulations or as per the norms of RBI, whichever is more stringent.

3.5 Advances are net of specific loan loss provisions, unrealised interest, ECGC claims received and bills rediscounted.

3.6 For restructured/rescheduled assets, provisions are made in accordance with the guidelines issued by the RBI, which require that the difference between the fair value of the loans/ advances before and after restructuring is provided for, in addition to provision for the respective loans/advances. The Provision for Diminution in Fair Value (DFV) and interest sacrifice, if any, arising out of the above, is reduced from advances.

3.7 In the case of loan accounts classified as NPAs, an account may be reclassified as a performing asset if it conforms to the guidelines prescribed by the regulators.

3.8 Amounts recovered against debts written off in earlier years are recognised as revenue in the year of recovery.

3.9 In addition to the specific provision on NPAs, general provisions are also made for standard assets as per extant RBI Guidelines. These provisions are reflected in Schedule 5 of the Balance Sheet under the head "Other Liabilities & Provisions — Others" and are not considered for arriving at the Net NPAs.

3.10 Appropriation of recoveries in NPAs (not out of fresh/additional credit facilities sanctioned to the borrower concerned) towards principal or interest due as per the Bank's extant instructions is done in accordance with the following priority.

a. Charges

b. Unrealized Interest/Interest

c. Principal

4. Floating Provisions:

The Bank has a policy for creation and utilisation of floating provisions separately for advances, investments and general purposes. The quantum of floating provisions to be created is assessed at the end of the financial year. The floating provisions are utilised only for contingencies under extraordinary circumstances specified in the policy with prior permission of Reserve Bank of India.

5. Provision for Country Exposure:

In addition to the specific provisions held according to the asset classification status, provisions are also made for individual country exposures (other than the home country). Countries are categorised into seven risk categories, namely, insignificant, low, moderate, high, very high, restricted and off-credit and provisioning made as per extant RBI guidelines. If the country exposure (net) of the Bank in respect of each country does not exceed 1% of the total funded assets, no provision is maintained on such country exposures. The provision is reflected in Schedule 5 of the Balance Sheet under the "Other liabilities & Provisions Others".

6. Derivatives:

6.1 The Bank enters into derivative contracts, such as foreign currency options, interest rate swaps, currency swaps, cross currency interest rate swaps and forward rate agreements in order to hedge on-balance sheet/ off-balance sheet assets and liabilities or for trading purposes. The swap contracts entered to hedge on-balance sheet assets and liabilities are structured in such a way that they bear an opposite and offsetting impact with the underlying on-balance sheet items. The impact of such derivative instruments is correlated with the movement of the underlying assets and accounted in accordance with the principles of hedge accounting.

6.2 Derivative contracts classified as hedge are recorded on accrual basis. Hedge contracts are not marked to market unless the underlying assets/liabilities are also marked to market.

6.3 Except as mentioned above, all other derivative contracts are marked to market as per the Generally Accepted Accounting Practices prevalent in the industry. In respect of derivative contracts that are marked to market, changes in the market value are recognised in the Profit and Loss Account in the period of change. Any receivable under derivatives contracts, which remain overdue for more than 90 days, are reversed through Profit and Loss Account to "Suspense Account Crystallised Receivables". In cases where the derivative contracts provide for more settlement in future and if the derivative contract is not terminated on the overdue receivables remaining unpaid for 90 days, the positive MTM pertaining to future receivables is also reversed from Profit and Loss Account to "Suspense Account — Positive MTM".

6.4 Option premium paid or received is recorded in Profit and Loss Account at the expiry of the option. The balance in the premium received on options sold and premium paid on options bought is considered to arrive at Mark-to-Market value for forex Over-the-Counter (OTC) options.

6.5 Exchange Traded Derivatives entered into for trading purposes are valued at prevailing market rates based on rates given by the Exchange and the resultant gains and losses are recognized in the Profit and Loss Account.

7. Fixed Assets, Depreciation and Amortisation:

7.1 Fixed Assets are carried at cost less accumulated depreciation/amortisation.

7.2 Cost includes cost of purchase and all expenditure such as site preparation, installation costs and professional fees incurred on the asset before it is put to use. Subsequent expenditure(s) incurred on the assets put to use are capitalised only when it increases the future benefits from such assets or their functioning capability.

7.3 The rates of depreciation and method of charging depreciation in respect of domestic operations are as under:

Sl. No.	Description of Fixed Assets	Method of charging depreciation	Depreciation/amortisation rate
1	Computers	Straight Line Method	33.33% every year
2	Computer Software forming an integral part of the Computer hardware	Straight Line Method	33.33% every year
3	Computer Software which does not form an integral part of Computer hardware and cost of Software Development	Straight Line Method	33.33% every year
4	Automated Teller Machine/Cash Deposit Machine/Coin Dispenser/ Coin Vending Machine	Straight Line Method	20.00% every year
5	Server	Straight Line Method	25.00% every year
6	Network Equipment	Straight Line Method	20.00% every year
7	Other fixed assets	Straight Line Method	On the basis of estimated useful life of the assets Estimated useful life of major group of Fixed Assets are as under: Premises 60 Years Vehicles 5 Years Safe Deposit 20 Years Lockers Furniture & Fixtures 10 Years

7.4 In respect of assets acquired during the year (for domestic operations), depreciation is charged on proportionate basis for the number of days the assets have been put to use during the year.

7.5 Assets costing less than ₹ 1,000 each are charged off in the year of purchase.

7.6 In respect of leasehold premises, the lease premium, if any, is amortised over the period of lease and the lease rent is charged in the respective year(s).

7.7 In respect of assets given on lease by the Bank on or before 31st March 2001, the value of the assets given on lease is disclosed as Leased Assets under Fixed Assets, and the difference between the annual lease charge (capital recovery) and the depreciation is taken to Lease Equalisation Account.

7.8 In respect of fixed assets held at foreign offices, depreciation is provided as per the regulations/norms of the respective countries.

7.9 The Bank considers only immovable assets for revaluation. Properties acquired during the last three years are not revalued. Valuation of the revalued assets is done at every three years thereafter.

7.10 The increase in Net Book Value of the asset due to revaluation is credited to the Revaluation Reserve Account without routing through the profit and loss statement.

7.11 The Revalued Assets is depreciated over the balance useful life of the asset as assessed at the time of revaluation.

8. Leases:

The asset classification and provisioning norms applicable to advances, as laid down in Para 3 above, are applied to financial leases also.

9. Impairment of Assets:

Fixed Assets are reviewed for impairment whenever events or changes in circumstances warrant that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future Net Discounted Cash Flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognised is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

10. Effect of changes in the foreign exchange rate:

10.1 Foreign Currency Transactions

i. Foreign currency transactions are recorded on initial recognition in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency on the date of transaction.

ii. Foreign currency monetary items are reported using the Foreign Exchange Dealers Association of India (FEDAI) closing (spot/forward) rates.

iii. Foreign currency non-monetary items, which are carried at historical cost, are reported using the exchange rate on the date of the transaction.

iv. Contingent liabilities denominated in foreign currency are reported using the FEDAI closing spot rates.

v. Outstanding foreign exchange spot and forward contracts held for trading are revalued at the exchange rates notified by FEDAI for specified maturities, and the resulting Profit or Loss is recognised in the Profit and Loss account.

vi. Foreign exchange forward contracts which are not intended for trading and are outstanding on the Balance Sheet date, are re-valued at the closing spot rate. The premium or discount arising at the inception of such forward exchange contract is amortised as expense or income over the life of the contract.

vii. Exchange differences arising on the settlement of monetary items at rates different from those at which they were initially recorded are recognised as income or as expense in the period in which they arise.

viii. Gains/Losses on account of changes in exchange rates of open position in currency futures trades are settled with the exchange clearing house on daily basis and such gains/losses are recognised in the Profit and Loss Account.

10.2 Foreign Operations:

Foreign Branches of the Bank and Offshore Banking Units (OBU) have been classified as Non-integral Operations and Representative Offices have been classified as Integral Operations.

a. Non-integral Operations:

i. Both monetary and non-monetary foreign currency assets and liabilities including contingent liabilities of non-integral foreign operations are translated at closing exchange rates notified by FEDAI at the Balance Sheet date.

ii. Income and expenditure of non-integral foreign operations are translated at quarterly average closing rates notified by FEDAI.

iii. Exchange differences arising on investment in non- integral foreign operations are accumulated in Foreign Currency Translation Reserve until the disposal of the investment.

iv. The Assets and Liabilities of foreign offices in foreign currency (other than local currency of the foreign offices) are translated into local currency using spot rates applicable to that country on the Balance Sheet date.

b. Integral Operations:

i. Foreign currency transactions are recorded on initial recognition in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency on the date of transaction.

ii. Monetary foreign currency assets and liabilities of integral foreign operations are translated at closing (Spot/Forward) exchange rates notified by FEDAI at the Balance Sheet date and the resulting Profit/Loss is included in the Profit and Loss Account. Contingent Liabilities are translated at Spot rate.

iii. Foreign currency non-monetary items which are carried at historical cost are reported using the exchange rate on the date of the transaction.

11. Employee Benefits:

11.1 Short Term Employee Benefits:

The undiscounted amounts of short-term employee benefits, such as medical benefits which are expected to be paid in exchange for the services rendered by employees, are recognised during the period when the employee renders the service.

11.2 Long Term Employee Benefits:

i. Defined Benefit Plan

a. The Bank operates a Provident Fund scheme. All eligible employeesareentitledtoreceivebenefitsunderthe Bank's Provident Fund scheme. The Bank contributes monthly at a determined rate (currently 10% of employee's basic pay plus eligible allowance). These contributions are remitted to a Trust established for this purpose and are charged to Profit and Loss Account. The Bank recognizes such annual contributions as an expense in the year to which it relates. Shortfall, if any, is provided for on the basis of actuarial valuation.

b. The Bank operates Gratuity and Pension schemes which are defined benefit plans.

i) The Bank provides for gratuity to all eligible employees. The benefit is in the form of lump sum payments to vested employees on retirement, or on death while in employment, or on termination of employment, for an amount equivalent to 15 days basic salary payable for each completed year of service, subject to a maximum amount of ₹ 10 lacs. Vesting occurs upon completion of five years of service. The Bank makes periodic contributions to a fund administered by Trustees based on an independent external actuarial valuation carried out annually.

ii) The Bank provides for pension to all eligible employees. The benefit is in the form of monthly payments as per rules to vested employees on retirement or on death while in employment, or on termination of employment. Vesting occurs at different stages as per rules. The Bank makes monthly contribution to the Pension Fund at 10% of salary in terms of SBI Pension Fund Rules. The pension liability is reckoned based on an independent actuarial valuation carried out annually and Bank makes such additional contributions periodically to the Fund as may be required to secure payment of the benefits under the pension regulations.

c. The cost of providing defined benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains/losses are immediately recognised in the Profit and Loss Account and are not deferred.

ii. Defined Contribution Plans:

The Bank operates a New Pension Scheme (NPS) for all officers/employees joining the Bank on or after 1st August, 2010, which is a defined contribution plan, such new joinees not being entitled to become members of the existing SBI Pension Scheme. As per the scheme, the covered employees contribute 10% of their basic pay plus dearness allowance to the scheme together with a matching contribution from the Bank. Pending completion of registration procedures of the employees concerned, these contributions are retained as deposits in the Bank and earn interest at the same rate as that of the current account of Provident Fund balance. The Bank recognizes such annual contributions and interest as an expense in the year to which they relate. Upon receipt of the Permanent Retirement Account Number (PRAN), the consolidated contribution amounts are transferred to the NPS Trust.

iii. Other Long Term Employee benefits:

a. All eligible employees of the Bank are eligible for compensated absences, silver jubilee award, leave travel concession, retirement award and resettlement allowance. The costs of such long term employee benefits are internally funded by the Bank.

b. The cost of providing other long term benefits is determined using the projected unit credit method with actuarial valuations being carried out at each Balance Sheet date. Past service cost is immediately recognised in the Profit and Loss Account and is not deferred.

11.3 Employee benefits relating to employees employed at foreign offices are valued and accounted for as per the respective local laws/regulations.

12. Taxes on income:

Income tax expense is the aggregate amount of current tax and deferred tax expense incurred by the Bank. The current tax expense and deferred tax expense are determined in accordance with the provisions of the Income Tax Act, 1961 and as per Accounting Standard 22 — “Accounting for Taxes on Income” respectively after taking into account taxes paid at the foreign offices, which are based on the tax laws of respective jurisdictions. Deferred Tax adjustments comprises of changes in the deferred tax assets or liabilities during the year. Deferred tax assets and liabilities are recognised by considering the impact of timing differences between taxable income and accounting income for the current year, and carry forward losses. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. The impact of changes in deferred tax assets and liabilities is recognised in the profit and loss account. Deferred tax assets are recognised and re-assessed at each reporting date, based upon management’s judgment as to whether their realisation is considered as reasonably certain. Deferred Tax Assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future profits.

13. Earnings per Share:

13.1 The Bank reports basic and diluted earnings per share in accordance with AS 20 —“Earnings per Share” issued by the ICAI. Basic Earnings per Share are computed by dividing the Net Profit after Tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding for the year.

13.2 Diluted Earnings per Share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted Earnings per Share are computed using the weighted average number of equity shares and dilutive potential equity shares outstanding at year end.

14. Provisions, Contingent Liabilities and Contingent Assets:

14.1 In conformity with AS 29, "Provisions, Contingent Liabilities and Contingent Assets", issued by the Institute of Chartered Accountants of India, the Bank recognises provisions only when it has a present obligation as a result of a past event, and would result in a probable outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made.

14.2 No provision is recognised for:

i. any possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank; or

ii. any present obligation that arises from past events but is not recognised because:

a. it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

b. a reliable estimate of the amount of obligation cannot be made.

Such obligations are recorded as Contingent Liabilities. These are assessed at regular intervals and only that part of the obligation for which an outflow of resources embodying economic benefits is probable, is provided for, except in the extremely rare circumstances where no reliable estimate can be made.

14.3 Provision for reward points in relation to the debit card holders of the Bank is being provided for on actuarial estimates.

14.5 Contingent Assets are not recognised in the financial statements.

15. Bullion Transactions:

The Bank imports bullion including precious metal bars on a consignment basis for selling to its customers. The imports are typically on a back-to-back basis and are priced to the customer based on price quoted by the supplier. The Bank earns a fee on such bullion transactions. The fee is classified under commission income. The Bank also accepts deposits and lends gold, which is treated as deposits/advances as the case may be with the interest paid/received classified as interest expense/income. Gold Deposits, Metal Loan Advances and closing Gold Balances are valued at available Market Rate as on the date of Balance Sheet.

16. Special Reserves:

Revenue and other Reserve include Special Reserve created under Section 36(i)(viii) of the Income Tax Act, 1961. The Board of Directors of the Bank have passed a resolution approving creation of the reserve and confirming that it has no intention to make withdrawal from the Special Reserve.

17. Share Issue Expenses:

Share issue expenses are charged to the Share Premium Account.

SCHEDULE — 18:

NOTES TO ACCOUNTS

18.1 Capital

1. Capital Ratio

AS PER BASEL II

(Amount in ₹ Crore)

Sr. No.	Items	As at 31st March 2017	As at 31st March 2016
(i)	Common Equity Tier 1 Capital Ratio(%)	N.A.	
(ii)	Tier 1 capital ratio (%)	10.27%	10.41%
(iii)	Tier 2 capital ratio (%)	3.29%	3.53%
(iv)	Total Capital Ratio (%)	13.56%	13.94%

AS PER BASEL III

Sr. No.	Items	As at 31st March 2017	As at 31st March 2016
(i)	Common Equity Tier 1 Capital Ratio (%)	9.82%	9.81%
(ii)	Tier 1 capital ratio (%)	10.35%	9.92%
(iii)	Tier 2 capital ratio (%)	2.76%	3.20%
(iv)	Total Capital Ratio (%)	13.11%	13.12%
(v)	Percentage of the Shareholding of Government of India	61.23%	60.18%
(vi)	Number of Shares held by Government of India	4,882,362,052	4,671,634,652
(vii)	Amount of Equity Capital raised	5,681.00	5,393.00
(viii)	Amount of Additional Tier 1(AT 1) capital raised of which		
	a) PNCPS:	Nil	Nil
	b) PDI:	9,045.50	Nil
(ix)	Amount of Tier 2 capital raised of which		
	a) Debt Capital instruments:	Nil	10,500.00
	b) Preference Share Capital Instruments:	Nil	Nil
	{Perpetual Cumulative Preference Shares (PCPS)/ Redeemable Non-cumulative Preference Shares (RNCPS)/ Redeemable Cumulative Preference Shares (RCPS)}		

RBI vide circular No. DBR.No.BP.BC.83/21.06.201/2015-16 dated 1st March 2016, has given discretion to banks to consider Revaluation Reserve, Foreign Currency Translation Reserve and Deferred Tax Asset for purposes of computation of Capital Adequacy as CET I capital ratio. The Bank has exercised the option in the above computation for F.Y. 2016-17.

2. Share Capital

a) During the year, the Bank received application money of ₹ 5,681.00 crore (Previous Year ₹ 5,393.00 crore), including share premium of ₹ 5,659.93 crore (Previous Year ₹ 5,373.34 crore), from Government of India against preferential issue of 210,727,400 equity shares (Previous Year 1965, 59,390) equity shares of ₹ 1 each to Government of India. The equity shares were allotted on 20.01.2017.

b) Expenses in relation to the issue of shares: ₹ 6.17 crore (Previous Year ₹ 8.66 crore) is debited to Share Premium Account.

3. Innovative Perpetual Debt Instruments (IPDI)

The details of IPDI issued which qualify for Hybrid Tier I Capital and outstanding are as under:

A. Foreign

(₹ in crore)

Particulars	Date of Issue	Tenor	Amount	Equivalent ₹ as on 31st March 2017	Equivalent ₹ as on 31st March 2016
Bond issued under the MTN Programme - 12th series*	15.02.2007	Perpetual Non call 10.25 years	USD 400 million	2,594.00	2,650.20
Bond issued under the MTN Programme - 14th series#	26.06.2007	Perpetual Non call 10 yrs1day	USD 225 million	1,459.13	1,490.74
Additional Tier 1(AT1) Bond issued under MTN Programme 29th series	22.09.2016	Perpetual Non Call 5 years	USD 300 million	1,945.50	—
Total			USD925 million	5,998.63	4,140.94

* If the Bank does not exercise call option on 15th May 2017, the interest rate will be raised and fixed rate will be converted to floating rate.

\# If the Bank does not exercise call option by 27th June 2017, the interest rate will be raised and fixed rate will be converted to floating rate.

These bonds are unsecured bonds and are listed in Singapore stock exchange (SGX- Bonds Board).

B. Domestic

(₹ in crore)

Sl. No.	Nature of Bonds	Principal Amount	Date of Issue	Rate of Interest % p.a.
1	SBI NON CONVERTIBLE PERPETUAL BONDS 2007-08 SBIN Series VI (Tier I)	165.00	28.09.2007	10.25
2	SBI NON CONVERTIBLE PERPETUAL BONDS 2009-10 (Tier I) Series I.	1,000.00	14.08.2009	9.10
3	SBI NON CONVERTIBLE PERPETUAL BONDS 2009-10 (Tier I) Series II	1,000.00	27.01.2010	9.05
4	SBI NON CONVERTIBLE PERPETUAL BONDS 2016 Unsecured Basel III AT 1 Series II.	2,100.00	06.09.2016	9.00
5	SBI NON CONVERTIBLE PERPETUAL BONDS 2016 Unsecured Basel III AT 1. .	2,500.00	27.09.2016	8.75
6	SBI NON CONVERTIBLE PERPETUAL BONDS 2016 Unsecured Basel III AT 1 Series III	2,500.00	25.10.2016	8.39
	TOTAL	**9,265.00***		

* Includes ₹ 2000 crore raised during the F.Y. 2009-10, of which ₹ 550 crore invested by SBI Employee Pension Fund, not reckoned for the purpose of Tier I Capital as per RBI instructions.

4. Subordinated Debts

The bonds are unsecured, long term, non—convertible and are redeemable at par. The details of outstanding subordinate debts are as under:-

(₹ in crore)

Sr. No.	Nature of Bonds	Principal Amount	Date of Issue/ Date of Redemption	Rate of Interest % P.A.	Maturity Period In Months
1	SBI NON CONVERTIBLE (Private placement) Bonds 2008-09 (IV) (Lower Tier II)	1,000.00	06.03.2009 06.06.2018	8.95	111
2	SBI NON CONVERTIBLE (Private placement) Bonds 2008-09(II) (Lower Tier II)	1,500.00	29.12.2008 29.06.2018	8.40	114
3	SBI NON CONVERTIBLE (Private placement) Bonds 2007-08 (I) (Upper Tier II)	2,523.50	07.06.2007 07.06.2022	10.20	180
4	SBI NON CONVERTIBLE (Private placement) Bonds 2007-08 (II) (Upper Tier II)	3,500.00	12.09.2007 12.09.2022	10.10	180
5	SBI NON CONVERTIBLE (Private placement) Bonds 2008-09 (I) (Upper Tier II)	2,500.00	19.12.2008 19.12.2023	8.90	180
6	SBI NON CONVERTIBLE (Private placement) Bonds 2013-14 (I) (Tier II)	2,000.00	02.01.2014 02.01.2024	9.69	120
7	SBI NON CONVERTIBLE (Private placement) Bonds 2008-09 (III) (Upper Tier II)	2,000.00	02.03.2009 02.03.2024	9.15	180
8	SBI NON CONVERTIBLE (Private placement) Bonds 2008-09 (V) (Upper Tier II)	1,000.00	06.03.2009 06.03.2024	9.15	180
9	SBI NON CONVERTIBLE (Private placement) Bonds 2008-09 SBIN (SERIES VII)(Upper Tier II)	250.00	24.03.2009 24.03.2024	9.17	180
10	SBI NON CONVERTIBLE (Public issue) Bonds 2010 (Series II) (Lower Tier II)	866.92	04.11.2010 04.11.2025	9.50	180
11	SBI NON CONVERTIBLE, UNSECURED (Private Placement), Basel III compliant Tier II Bonds 2015-16 (Series I)	4,000.00	23.12.2015 23.12.2025	8.33	120
12	SBI NON CONVERTIBLE, UNSECURED (Private Placement), Basel III compliant Tier 2 Bonds 2015-16 (Series II)	3,000.00	18.02.2016 18.02.2026	8.45	120
13	SBI NON CONVERTIBLE (Public issue) Bonds 2011 Retail (Series IV) (Lower Tier II)	3,937.60	16.03.2011 16.03.2026	9.95	180
14	SBI NON CONVERTIBLE (Public issue) Bonds 2011 Non Retail (Series IV) (Lower Tier II)	828.32	16.03.2011 16.03.2026	9.45	180
15	SBI NON CONVERTIBLE, UNSECURED (Private Placement), Basel III compliant Tier 2 Bonds 2015-16 (Series III)	3,000.00	18.03.2016 18.03.2026	8.45	120
16	SBI NON CONVERTIBLE, UNSECURED (Private Placement), Basel III compliant Tier 2 Bonds 2015-16 (Series IV)	500.00	21.03.2016 21.03.2026	8.45	120
	TOTAL	**32,406.34**			

18.2. Investments

1. The Details of investments and the movement of provisions held towards depreciation on investments of the Bank are given below:

(₹ in crore)

Particulars	As at 31st March 2017	As at 31st March 2016 *
1. Value of Investments		
i) Gross value of Investments		
(a) In India	725,421.42	537,109.06
(b) Outside India	41,815.77	39,496.32
ii) Provision for Depreciation		
(a) In India	557.72	294.49
(b) Outside India	85.04	59.61
iii) Liability on Interest Capitalised on Restructured Accounts (LICRA)	604.80	599.49
iv) Net value of Investments		
(a) In India	724,258.90	536,215.08
(b) Outside India	41,730.73	39,436.71
2. Movement of provisions held towards depreciation on investments		
i) Balance at the beginning of the year	354.10	479.90
ii) Add: Provisions made during the year	552.48	610.39
iii) Less: Provision utilised during the year	—	293.72
iv) Less/(Add): Foreign Exchange revaluation adjustment	9.73	(18.36)
v) Less: Write back of excess provision during the year.	254.09	460.83
vi) Balance at the end of the year	642.76	354.10

* In terms of RBI Circular FMRD.DIRD.10/14.03.002/2015-16 dated May 1,92016, the Bank has, with effect from October 3, 2016, considered its repo/ reverse repo transactions under Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF) of RBI as Borrowings/ Lending respectively as against the earlier practice of including the same under investments.

Notes:

a. Securities amounting to ₹ 18,676.03 crore (Previous Year ₹ 2,827.96 crore) are kept as margin with Clearing Corporation of India Limited (CCIL)/ NSCCL/MCX/USEIL/ NSEIL/BSE towards Securities Settlement.

b. During the year the Bank infused additional capital in its subsidiaries and associates viz. i) State Bank of Patiala ₹ 4,160 crore* (previous year ₹799.99 crore) ii) SBI Infra Management Solutions Pvt Ltd. ₹ 10 crore, iii) SBI General Insurance Co Limited ₹ 166.50 crore (74%) iv) Arunachal Pradesh Rural Bank ₹ 2.13 crore.

* Out of the total capital infusion of ₹ 4,160 crore, an amount of ₹ 1,760 crore paid on 30.03.2017 has been disclosed under "Investment Suspense Account", since allotment was pending as at year end.

c. During the year, the Bank has sold 39,000,000 equity shares of SBI Life insurance Company limited at a profit of ₹ 1,755 crore. Thus the Bank stake reduced from 74% to 70.10%.

d. Jio Payments Bank Limited has been incorporated as a Joint Venture on November 10, 2016 in which SBI and Reliance Industries Limited are Joint Partners with stake of 30% and 70% respectively. SBI has infused ₹ 39.60 crore as capital into the said Joint Venture till 31.03.2017.

2. Repo Transactions (including Liquidity Adjustment Facility (LAF))

The details of securities sold and purchased under repos and reverse repos including LAF during the year are given below:

(₹ in crore)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Balance as on 31st March 2017
Securities sold under Repos				
i. Government Securities	—	99,581.36	6,673.82	74,235.72
	(—)	(99,581.36)	(17,406.51)	(99,581.36)
ii. Corporate Debt Securities	2,106.15	7,251.52	3,779.10	2,786.85
	(—)	(1,314.24)	(571.47)	(1,254.07)
Securities purchased under Reverse Repos				
i. Government Securities	55.40	102,342.25	21,178.52	6,055.45
	(—)	(55,000.00)	(4,692.95)	(—)
ii. Corporate Debt Securities	571.45	590.18	581.28	573.39
	(—)	(—)	(—)	(—)

(Figures in brackets are for Previous Year)

3. Non-SLR Investment Portfolio

a) Issuer composition of Non SLR Investments

The issuer composition of Non-SLR investments of the Bank is given below:

(₹ in crore)

Sl. No.	Issuer	Amount	Extent of Private Placement	Extent of "Below Investment Grade" Securities *	Extent of "Unrated" Securities *	Extent of "Unlisted" Securities *
(i)	PSUs	47,224.95	34,926.02	836.32	462.77	762.76
		(19,718.43)	(9,452.46)	(341.83)	(176.49)	(541.78)
(ii)	FIs	58,179.05	49,893.49	—	—	200.00
		(29,826.69)	(18,998.39)	(—)	(—)	(200.00)
(iii)	Banks	21,201.42	8,494.71	1,331.60	23.62	2,373.63
		(15,398.01)	(1,256.40)	(1,118.15)	(23.62)	(23.62)
(iv)	Private Corporates	35,054.91	23,111.85	1,156.49	658.82	164.21
		(23,905.24)	(12,464.90)	(2,299.54)	(499.93)	(78.67)
(v)	Subsidiaries / Joint Ventures**	14,010.07	—	—	—	—
		(11,379.03)	(—)	(—)	(—)	(—)
(vi)	Others	16,328.08	—	974.89	848.03	—
		(16,825.10)	(—-)	(1,219.73)	(1,147.88)	(—)
(vii)	Provision held towards depreciation including LICRA	1,247.56	—	-0.92	—	—
		(953.59)	(—)	(31.97)	(—)	(—)
	Total	**190,750.92**	**116,426.07**	**4,300.22**	**1,993.24**	**3,500.60**
		(116,098.91)	**(42,172.15)**	**(4,947.28)**	**(1,847.92)**	**(844.07)**

(Figures in brackets are for Previous Year)

* Investment in Equity, Equity Oriented Mutual Funds, Venture Capital, Rated Assets Backed Securities, Central Government Securities and ARCIL are not segregated under these categories as these are exempt from rating/listing guidelines.

** Investments in Subsidiaries/Joint Ventures have not been segregated into various categories as these are not covered under relevant RBI Guidelines.

b) Non Performing Non-SLR Investments

(₹ in crore)

Particulars	Current Year	Previous Year
Opening Balance	146.24	401.72
Additions during the year	348.37	52.36
Reductions during the year	47.07	307.84
Closing balance	447.54	146.24
Total provisions held	**227.85**	**126.68**

4. Sales and Transfers of Securities to/from HTM Category

The value of sales and transfers of securities to/from HTM Category does not exceed 5% of the book value of investment held in HTM category at the beginning of the year.

5. Disclosure of Investment in Security Receipts (SRs)

(₹ in crore)

	Particulars	SRs Issued within Past 5 Years	SRs issued more than 5 years ago but within past 8 Years	SRs issued more than 8 Years ago	Total
i	Book value of SRs Backed by NPAs sold by the bank as underlying	5,497.02	—	47.06	5,544.08
	Provision held against (i)	—	—	47.06	47.06
ii	Book value of SRs Backed by NPAs sold by Other banks/financial institutions /non-banking Financial companies as Underlying	19.97	2.68	—	22.65
	Provision held against (ii)	—	—	—	—
Total (i) + (ii)		**5,516.99**	**2.68**	**47.06**	**5566.73**

6. Details of Investments in Security Receipts against NPAs sold to Securitisation Company (SC)/Reconstruction Company (RC)

(₹ in crore)

Particulars	Backed by NPAs sold by the bank as underlying		Backed by the NPAs sold by other banks/financial institutions/non-banking financial companies as underlying		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Book Value of Investments in Security Receipts as on 31st March 2017	5,544.08	5,425.63	22.65	27.19	5,566.73	5,452.82
Book Value of Investments in Security Receipts made during the year	281.89	783.92	—	2.65	281.89	786.57

18.3. Derivatives

A. Forward Rate Agreements/Interest Rate Swaps

(₹ in crore)

	Particulars	As at 31st March 2017	As at 31st March 2016
i)	The notional principal of swap agreements#.	142,876.87	130,624.90
ii)	Losses which would be incurred if counterparties failed to fulfil their obligations under the agreements	881.75	2,080.00
iii)	Collateral required by the Bank upon entering into swaps . .	Nil	Nil
iv)	Concentration of credit risk arising from the swaps	Not significant	Not significant
v)	The fair value of the swap book	52.59	946.31

\# IRS/FRA amounting to ₹ 9,299.54 crore (Previous Year ₹ 11,232.11 crore) entered with the Bank's own foreign offices and other banks are not shown here as they are for hedging of FCNB corpus and hence not marked to market.

Nature and terms of Forward Rate Agreements and interest rate swaps as on 31st March 2017 are given below:

(₹ in crore)

Instrument	Nature	Nos	Notional Principal	Benchmark	Terms
FRA. . . .	Trading	1	24.33	LIBOR	Fixed Payable Vs Floating Receivable
FRA. . . .	Trading	1	24.33	LIBOR	Floating Payable Vs Fixed Receivable
IRS	Hedging	59	2,946.96	LIBOR	Floating Payable Vs Fixed Receivable
IRS	Hedging	35	609.72	OTHERS	Floating Payable Vs Fixed Receivable
IRS	Hedging	70	47,959.33	LIBOR	Fixed Receivable/Floating Payable
IRS	Hedging	37	2,271.50	LIBOR	Floating Receivable/Fixed Payable
IRS	Hedging	1	3,242.50	LIBOR	Floating Receivable/Floating Payable
IRS	Trading	58	7,932.00	LIBOR	Fixed Payable Vs Floating Receivable
IRS	Trading	62	8,430.17	LIBOR	Floating Payable Vs Fixed Receivable
IRS	Trading	561	24,115.00	MIBOR	Fixed Payable Vs Floating Receivable
IRS	Trading	556	26,598.00	MIBOR	Floating Payable Vs Fixed Receivable
IRS	Trading	6	200.00	MIFOR	Fixed Payable Vs Floating Receivable
IRS	Trading	7	225.00	MIFOR	Floating Payable Vs Fixed Receivable
IRS	Trading	57	10,680.87	LIBOR	Fixed Receivable/Floating Payable
IRS	Trading	51	6,990.73	LIBOR	Floating Receivable/Fixed Payable
CCS. . . .	Hedging	1	145.51	LIBOR	Fixed Receivable/Floating Payable
CCS. . . .	Hedging	9	306.90	LIBOR	Floating Receivable/Fixed Payable
CCS. . . .	Hedging	1	174.02	LIBOR	Floating Receivable/Floating Payable
	Total		**142,876.87**		

Nature and terms of Forward Rate Agreements and interest rate swaps as on 31st March 2016 are given below:

(₹ in crore)

Instrument	Nature	Nos	Notional Principal	Benchmark	Terms
IRS	Hedging	5	882.30	LIBOR	Floating Payable Vs Fixed Receivable
IRS	Hedging	10	355.02	OTHERS	Floating Payable Vs Fixed Receivable
IRS	Hedging	53	8,486.30	LIBOR	Fixed Payable Vs Floating Receivable
IRS	Hedging	51	8,353.58	LIBOR	Floating Payable Vs Fixed Receivable
IRS	Hedging	492	16,690.00	MIBOR	Fixed Payable Vs Floating Receivable
IRS	Hedging	509	18,065.00	MIBOR	Floating Payable Vs Fixed Receivable
IRS	Hedging	3	150.00	MIFOR	Floating Payable Vs Fixed Receivable
IRS	Hedging	83	49,972.29	LIBOR	Fixed Receivable/Floating Payable
IRS	Hedging	66	4,023.47	LIBOR	Floating Receivable/Fixed Payable
IRS	Hedging	1	3,312.75	LIBOR	Floating Receivable/Floating Payable
IRS	Trading	81	13,197.83	LIBOR	Fixed Receivable/Floating Payable
IRS	Trading	31	7,077.58	LIBOR	Floating Receivable/Fixed Payable
CCS	Hedging	2	58.77	LIBOR	Fixed Receivable/Floating Payable
	Total		**130,624.89**		

B. Exchange Traded Interest Rate Derivatives

(₹ in Crore)

Sr. No.	Particulars	Current Year	Previous Year
1	Notional principal amount of exchange traded interest rate derivatives undertaken during the year		
A	Interest Rate Futures	Nil	Nil
B	10 Year Government of India Securities	7,819.64	235.74
2	Notional principal amount of exchange traded interest rate derivatives outstanding as on 31st March 2017		
A	Interest Rate Futures	Nil	Nil
B	10 Year Government of India Securities	538.76	Nil
3	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective"	N.A.	N.A.
4	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective".	N.A.	N.A.

C. Risk Exposure in Derivatives

(A) Qualitative Risk Exposure

i. The Bank currently deals in over-the-counter (OTC) interest rate and currency derivatives as also in Interest Rate Futures and Exchange Traded Currency Derivatives. Interest Rate Derivatives dealt by the Bank are rupee interest rate swaps, foreign currency interest rate swaps and forward rate agreements, cap, floor and collars. Currency derivatives dealt by the Bank are currency swaps, rupee dollar options and cross-currency options. The products are offered to the Bank's customers to hedge their exposures and the Bank enters into derivatives contracts to cover such exposures. Derivatives are used by the Bank both for trading as well as hedging balance sheet items. The Bank also runs option position in USD/INR, which is managed through various types of loss limits and Greek limits.

ii. Derivative transactions carry market risk i.e. the probable loss the Bank may incur as a result of adverse movements in interest rates/ exchange rates/equity prices and credit risk i.e. the probable loss the Bank may incur if the counterparties fail to meet their obligations. The Bank's "Policy for Derivatives" approved by the Board prescribes the market risk parameters (Greek limits, Loss Limits, cut-loss triggers, open position limits, duration, modified duration, PV01 etc.) as well as customer eligibility criteria (credit rating, tenure of relationship, limits and customer appropriateness and suitability of policy (CAS) etc.) for entering into derivative transactions. Credit risk is controlled by entering into derivative transactions only with counterparties satisfying the criteria prescribed in the Policy. Appropriate limits are set for the counterparties taking into account their ability to honour obligations and the Bank enters into ISDA agreement with each counterparty.

iii. The Asset Liability Management Committee (ALCO) of the Bank oversees efficient management of these risks. The Bank's Market Risk Management Department (MRMD) identifies, measures, monitors market risk associated with derivative transactions, assists ALCO in controlling and managing these risks and reports compliance with policy prescriptions to the Risk Management Committee of the Board (RMCB) at regular intervals.

iv. The accounting policy for derivatives has been drawn-up in accordance with RBI guidelines, the details of which are presented under Schedule 17: Significant Accounting Policies (SAP) for the financial year 2016-17.

v. Interest Rate Swaps are mainly used at Foreign Offices for hedging of the assets and liabilities.

vi. Apart from hedging swaps, swaps at Foreign Offices consist of back to back swaps done at our Foreign Offices which are done mainly for hedging of FCNR deposits at Global Markets, Kolkata.

vii. Majority of the swaps were done with First class counterparty banks.

viii. Derivative transactions comprise of swaps which are disclosed as contingent liabilities. The swaps are categorised as trading or hedging.

ix. Derivative deals are entered into with only those interbank participants for whom counterparty exposure limits are sanctioned. Similarly, derivative deals entered into with only those corporates for whom credit exposure limit is sanctioned. Collateral requirements for derivative transactions are laid down as a part of credit sanction terms on a case by case basis. Such collateral requirements are determined based on usual credit appraisal process. The Bank retains the right to terminate transactions as a risk mitigation measure in certain cases.

(B) Quantitative Risk Exposure

(₹ in crore)

Particulars	Currency Derivatives		Interest Rate Derivatives	
	Current Year	**Previous Year**	**Current Year**	**Previous Year**
(I) Derivatives (Notional Principal Amount)				
(a) For hedging	6,968.86@	17,713.28@	54,347.59#	55,699.48#
(b) For trading *	202,472.85	232,714.53	88,529.27	74,925.42
(II) Marked to Market Positions				
(a) Asset	4,675.49	3,971.40	574.79	1,642.57
(b) Liability	1,285.33	2,145.05	565.10	369.89
(III) Credit Exposure	7,428.09	7,960.90	2,286.34	3,487.84
(IV) Likely impact of one percentage change in interest rate (100* PV01)				
(a) on hedging derivatives	-0.25	-0.04	-7.60	-63.09
(b) on trading derivatives	0.97	2.68	46.52	20.34
(V) Maximum and Minimum of 100* PV 01 observed during the year				
(a) on hedging				
- Maximum	0.00	0.08	2.87	-34.14
- Minimum	-0.04	-0.04	-0.64	-44.36
(b) on trading				
- Maximum	1.03	0.67	0.77	0.90
- Minimum	0.04	—	-0.11	-0.05

@ The swaps amounting to ₹ 4,988.14 crore (Previous Year ₹ 7,811.17 crore) entered with the Bank's own foreign offices are not shown here as they are for hedging of FCNB corpus and hence not marked to market.

IRS/FRA amounting to ₹ 9,299.54 crore (Previous Year ₹ 11,232.11 crore) entered with the Bank's own Foreign offices and other banks are not shown here as they are for hedging of FCNB corpus and hence not marked to market.

* The forward contract deals with our own Foreign Offices are not included. Currency Derivatives ₹ Nil (Previous Year ₹ Nil) and Interest Rate Derivatives ₹ Nil (Previous Year ₹ Nil).

1. The outstanding notional amount of derivatives done between Global Markets Unit and International Banking Group as on 31st March 2017 amounted to ₹ 7,571.57 crore (Previous Year ₹ 19,043.28 crore) and the derivatives done in-between SBI Foreign Offices as on 31st March 2017 amounted to ₹ 16,955.57 crore (Previous Year ₹ 18,071.97 crore).

2. The outstanding notional amount of interest rate derivatives which are not marked-to-market (MTM) where the underlying Assets/Liabilities are not marked to market as on 31st March 2017 amounted to ₹ 53,675.54 crore (Previous Year ₹ 66,453.24 crore).

18.4. Asset Quality

a) Non-Performing Assets

(₹ in Crore)

Particulars	As at 31st March 2017	As at 31st March 2016
i) Net NPAs to Net Advances (%)	3.71%	3.81%
ii) Movement of NPAs (Gross)		
(a) Opening balance	98,172.80	56,725.34
(b) Additions (Fresh NPAs) during the year	39,071.38	64,198.49
Sub-total (I)	137,244.18	120,923.83
Less:		
(c) Reductions due to up gradations during the year	3,436.91	2,598.59
(d) Reductions due to recoveries (Excluding recoveries made from upgraded accounts)	894.48	4,389.18
(e) Technical/Prudential Write-offs	Nil	Nil
(f) Reductions due to Write-offs during the year	20,569.80	15,763.26
Sub-total (II)	24,901.19	22,751.03
(f) Closing balance (I-II)	112,342.99	98,172.80
iii) Movement of Net NPAs		
(a) Opening balance	55,807.02	27,590.58
(b) Additions during the year	3,238.02	36,192.76
(c) Reductions during the year	767.66	7,976.32
(d) Closing balance	58,277.38	55,807.02
iv) Movement of provisions for NPAs		
(a) Opening balance	42,365.78	29,134.76
(b) Provisions made during the year	35,833.35	28,005.73
(c) Write-off/write-back of excess provisions	24,133.52	14,774.71
(d) Closing balance	54,065.61	42,365.78

Opening and closing balances provision for NPAs include ECGC claims received and held pending adjustment of ₹ Nil (Previous Year ₹ 62.64 crore) and ₹ 1.97 crore (Previous Year ₹ 67.27 crore) respectively.

b) The disclosures relating to the divergence for the financial year 2015-16 in respect of provisions made by the bank against non-performing assets (excluding provisions made against standard assets) mandated in circular No. DBR.BP.BC.No.63/21.04.018/2016-17 dated 18th April 2017 issued by RBI is not applicable to the Bank.

c) Restructured Accounts

(₹ in Crore)

SI No.	Type of Restructuring		Under CDR Mechanism (1)					Under SME Debt Restructuring Mechanism (2)				
	Asset Classification											
	Particulars		Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total
1	Restructured Accounts as on April 1, 2016 (Opening position)	No. of Borrowers	62	3	74	3	142	186	46	123	11	366
			(121)	(7)	(47)	(2)	(177)	(315)	(90)	(107)	(11)	(523)
		Amount outstanding	14,186.03	219.43	14,045.42	236.23	28,687.11	1,746.93	444.99	2,148.54	31.56	4,372.02
			(25,079.31)	(999.76)	(5,035.94)	(477.48)	(31,592.49)	(3,325.56)	(369.03)	(2,202.13)	(85.28)	(5,982.00)
		Provision thereon	779.15	13.64	411.89	0.94	1,205.62	49.49	18.24	104.21	(—)	171.95
			(1,847.05)	(103.90)	(183.40)	(47.65)	(2,182.00)	(121.85)	(9.95)	(71.77)	(—)	(203.58)
2	Fresh Restructuring during the current FY	No. of Borrowers	—	—	3	—	3	—	3	9	—	12
			(2)	(—)	(3)	(—)	(5)	(22)	(5)	(10)	(1)	(38)
		Amount outstanding	64.19	23.18	236.82	—	324.18	5,135.02	51.01	138.13	—	5,324.16
			(1,679.91)	(2.46)	(393.89)	(92.71)	(2,168.97)	(143.57)	(12.54)	(28.47)	(—)	(184.58)
		Provision thereon	0.36	0.19	—	—	0.55	0.20	0.33	2.98	—	3.51
			(-183.63)	(-5.69)	(46.15)	(2.58)	(-140.59)	(4.18)	(1.17)	(1.65)	(—)	(7.00)
3	Up gradation to restructured standard category during current FY	No. of Borrowers	2	-1	-1	—	—	1	—	—1	—	—
			(2)	(—)	(-1)	(-1)	(—)	(5)	(—)	(-5)	(—)	(—)
		Amount outstanding	478.88	-79.13	-399.76	—	—	20.89	-17.31	-3.58	—	—
			(217.44)	(—)	(107.47)	(-324.91)	(—)	(58.68)	(-14.62)	(-44.06)	(—)	(—)
		Provision thereon	37.06	-0.42	-36.64	—	—	—	—	—	—	—
			(6.05)	(—)	(23.27)	(-29.32)	(—)	(2.25)	(-0.03)	(-2.22)	(—)	(—)
4	Restructured Standard Advances which ceases to attract higher provisioning and/ or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of Borrowers	-17				-17	-50				-50
			(-16)				(-16)	(-79)				(-79)
		Amount outstanding	-1063.82				-1063.82	-271.96				-271.96
			(-968.10)				(-968.10)	(-612.91)				(-612.91)
		Provision thereon	-18.74				-18.74	-2.20				-2.20
			(-41.87)				(-41.87)	(-1.77)				(-1.77)
5	Downgradations of restructured accounts during current FY	No. of Borrowers	-16	-2	15	3	—	-25	-3	18	10	—
			(-35)	(-3)	(34)	(4)	(—)	(-31)	(-7)	(29)	(9)	(—)
		Amount outstanding	-4,942.66	-163.48	4,860.65	245.50	—	-164.71	-54.54	206.59	12.66	—
			(-9,512.83)	(-760.38)	(10,252.24)	(20.97)	(—)	(-588.47)	(223.45)	(303.16)	(61.86)	(—)
		Provision thereon	-288.33	-13.41	289.39	12.35	—	-8.79	1.45	7.34	—	—
			(-537.57)	(-80.29)	(637.83)	(-19.97)	(—)	(-33.32)	(13.96)	(19.36)	(—)	(—)
6	Write-offs of restructured accounts during current FY	No. of Borrowers	-3	—	-23	-2	-28	-31	-21	-21	-2	-75
			(-12)	(-1)	(-9)	(-2)	(-24)	(-46)	(-42)	(-18)	(-10)	(-116)
		Amount outstanding	-1,010.82	—	-1,712.45	-399.14	-3,122.42	-825.52	-220.09	-24.96	-37.34	-1,107.94
			(-2,309.70)	(-22.41)	(-1,744.12)	(-30.02)	(-4,106.25)	(-579.50)	(-145.41)	(-341.16)	(-115.58)	(-1,181.65)
		Provision thereon	-182.17	—	-303.90	-12.35	-498.42	-16.77	-9.37	-0.55	—	-26.69
			(-310.88)	(-4.28)	(-478.76)	(—)	(-793.92)	(-43.70)	(-6.81)	(13.65)	(—)	(-36.86)
7	TOTAL Restructured Accounts as on 31st March, 2017 (Closing Position)	No. of Borrowers	28	—	68	4	100	81	25	128	19	253
			(62)	(3)	(74)	(3)	(142)	(186)	(46)	(123)	(11)	(366)
		Amount outstanding	7,711.79	—	17,030.68	82.59	24,825.06	5,640.65	204.06	2,464.71	6.88	8,316.28
			(14,186.03)	(219.43)	(14,045.42)	(236.23)	(28,687.11)	(1,746.93)	(444.99)	(2,148.54)	(31.56)	(4,372.02)
		Provision thereon	327.32	—	360.74	0.94	689.01	21.94	10.65	113.98	—	146.58
			(779.15)	(13.64)	(411.89)	(0.94)	(1,205.62)	(49.49)	(18.24)	(104.21)	(—)	(171.95)

Sl. No.	Type of Restructuring / Asset Classification / Particulars		Others (3)					TOTAL (1 + 2 + 3)				
			Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total
1	Restructured Accounts as on April 1, 2016 (Opening position)	No. of Borrowers	301	520	2,336	90	3,247	549	569	2,427	104	3,649
			(676)	(1,273)	(1,351)	(463)	(3,763)	(1,112)	(1,370)	(1,505)	(476)	(4,463)
		Amount outstanding	23,122.42	578.73	9,210.75	146.17	33,058.07	39,178.48	1,254.11	25,470.39	424.81	66,327.79
			(27,437.97)	(770.82)	(5,140.13)	(305.27)	(33,654.17)	(55,842.83)	(2,139.61)	(12,378.20)	(868.03)	(71,228.67)
		Provision thereon	403.03	7.13	30.54	0.03	440.73	1,232.45	38.97	603.00	0.98	1,875.40
			(1,095.69)	(12.58)	(138.97)	(5.73)	(1,252.98)	(3,064.59)	(126.43)	(394.15)	(53.39)	(3,638.56)
2	Fresh Restructuring during the current FY	No. of Borrowers	7	130	63	5	205	7	133	75	5	220
			(105)	(252)	(73)	(19)	(449)	(129)	(257)	(86)	(20)	(492)
		Amount outstanding	11,674.54	646.34	2,029.00	6.35	14,356.24	16,873.75	720.53	2,403.95	6.35	20,004.58
			(6,497.48)	(65.63)	(284.39)	(102.82)	(6,950.32)	(8,320.96)	(80.63)	(706.75)	(195.54)	(9,303.88)
		Provision thereon	22.76	1.05	25.60	—	49.41	23.32	1.57	28.58	—	53.47
			(15.54)	(4.62)	(3.25)	(0.18)	(23.59)	(-163.92)	(0.10)	(51.04)	(2.77)	(-110.01)
3	Upgradation to restructured standard category during current FY	No. of Borrowers	2	2	6	-10	—	5	1	4	-10	—
			(13)	(1)	(4)	(-18)	(—)	(20)	(1)	(-2)	(-19)	(—)
		Amount outstanding	129.73	0.03	-129.45	-0.31	—	629.50	-96.41	-532.78	-0.31	—
			(373.49)	(-2.06)	(-322.69)	(-48.74)	(—)	(649.61)	(-16.67)	(-259.29)	(-373.65)	(—)
		Provision thereon	0.96	—	-0.96	—	—	38.02	-0.42	-37.60	—	—
			(13.90)	—	(-10.94)	(-2.96)	(—)	(22.20)	(-0.03)	(10.11)	(-32.28)	(—)
4	Restructured Standard Advances which ceases to attract higher provisioning and/ or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of Borrowers	-19				-19	-86				-86
			(-51)				(-51)	(-146)				(-146)
		Amount outstanding	-1,747.00				-1,747.00	-3,082.78				-3,082.78
			(-3,065.11)				(-3,065.11)	(-4,646.12)				(-4,646.12)
		Provision thereon	-20.25				-20.25	-41.19				-41.19
			(-117.18)				(-117.18)	(-160.82)				(-160.82)
5	Downgradations of restructured accounts during current FY	No. of Borrowers	-87	-222	290	19	—	-128	-227	323	32	—
			(-203)	(-832)	(1,132)	(-97)	—	(-269)	(-842)	(1,195)	(-84)	—
		Amount outstanding	-3,698.54	1,631.73	1,752.57	314.24	—	-8,805.91	1,413.70	6,819.81	572.40	—
			(-5,583.94)	(291.06)	(5,332.77)	(-39.89)	(—)	(-15,685.24)	(-245.88)	(15,888.18)	(42.94)	(—)
		Provision thereon	-102.40	23.63	78.77	—	—	-399.52	11.67	375.50	12.35	—
			(-256.08)	(5.21)	(253.79)	(-2.92)	(-)	(-826.97)	(-61.12)	(910.99)	(-22.90)	(—)
6	Write-offs of restructured accounts during current FY	No. of Borrowers	-104	-224	-705	-55	-1,088	-138	-245	-643	-59	-1,085
			(-239)	(-174)	(-224)	(-277)	(914)	(-297)	(-217)	(-251)	(-289)	(-1,054)
		Amount outstanding	-6,200.01	-142.69	-6,088.43	-435.90	-12,867.01	-8,159.48	-373.73	-7,891.51	-883.23	-17,307.95
			(-2,537.47)	(-546.72)	(-1,223.85)	(-173.28)	(-4,481.31)	(-5,426.67)	(-714.53)	(-3,309.13)	(-318.91)	(-9,769.24)
		Provision thereon	-61.83	-3.67	-40.87	-0.03	-24.66	-261.54	-12.99	-319.94	-12.39	-606.86
			(-348.84)	(-15.28)	(-354.53)	(—)	(-718.65)	(-703.40)	(-26.36)	(-819.66)	(—)	(-1,549.42)
7	Total Restructured Accounts as on 31st March, 2017 (Closing Position)	No. of Borrowers	100	206	1,990	49	2,345	209	231	2,186	72	2,698
			(301)	(520)	(2,336)	(90)	(3,247)	(549)	(569)	(2,533)	(104)	(3,755)
		Amount outstanding	23,281.14	2,714.14	6,774.45	30.56	32,800.30	36,633.56	2,918.20	26,269.85	120.03	65,941.64
			(23,122.42)	(578.73)	(9,210.75)	(146.17)	(33,058.07)	(39,055.37)	(1,243.16)	(25,404.71)	(413.95)	(66,117.19)
		Provision thereon	242.27	28.14	174.82	—	445.23	591.54	38.79	649.55	0.94	1,280.82
			(403.03)	(7.13)	(30.54)	(0.03)	(440.73)	(1,231.68)	(39.02)	(546.63)	(0.98)	(1,818.31)

Note:

1. Increase in outstanding of ₹ 1,922.73 crore (Previous Year ₹ 4,731.40 crore) included in Fresh Additions
2. Closure of ₹ 10,070.48 crore (Previous Year ₹ 4,398.11 crore) and decrease in Outstanding of ₹ 2,090.33 crore (Previous Year ₹ 4,413.95 crore) is included in Write off.
3. Total Column does not include standard assets moved out of higher provisioning.

d) Details of Technical Write-offs and the recoveries made thereon:

(₹ in crore)

Particulars	Current Year	Previous Year
i) Opening balance of Technical/Prudential written-off accounts as at April 1	Nil	Nil
ii) Add: Technical/Prudential write-offs	Nil	Nil
iii) Sub-total (A)	Nil	Nil
iv) Less: Recoveries made from previously technical/prudential written-off accounts during the year (B)	Nil	Nil
v) Closing balance as at March 31 (A-B)	Nil	Nil

e) Details of financial assets sold to Securitisation Company (SC)/Reconstruction Company (RC) for Asset Reconstruction

(₹ in crore)

Particulars	Current Year	Previous Year
i) No. of Accounts	38	46,399
ii) Aggregate value (net of provisions) of accounts sold to SC/RC	503.91	1,500.88
iii) Aggregate consideration*	516.52	1,007.63
iv) Additional consideration realized in respect of accounts transferred in earlier years	—	—
v) Aggregate gain/(loss) over net book value#	12.61	(493.25)

* SRs received as part of considerations have been recognised at lower of Net book Value/Face Value as per RBI Guidelines.

\# Includes amount of ₹ 0.54 crore (Previous Year ₹ 0.52 crore) credited to charges/(interest) account.

f) Excess Provision reversed to Profit & Loss Account on account of Sale of NPAs to Securitisation Company (SC) / Reconstruction Company (RC)

(₹ in crore)

Particulars	As at 31st March 2017	As at 31st March 2016
Excess Provision reversed to P&L Account in case of Sale of NPAs	5.23	11.70

g) Details of non-performing financial assets purchased

(₹ in crore)

Particulars	Current Year	Previous Year
1) (a) No. of Accounts purchased during the year	Nil	Nil
(b) Aggregate outstanding	Nil	Nil
2) (a) Of these, number of accounts restructured during the year	Nil	Nil
(b) Aggregate outstanding	Nil	Nil

h) Details of non-performing financial assets sold

(₹ in crore)

Particulars	Current Year	Previous Year
1) No. of Accounts sold	31	45,331
2) Aggregate outstanding	938.63	2,168.54
3) Aggregate consideration received	487.76	955.62

i) Provision on Standard Assets

The Provision on Standard Assets held by the Bank as on 31st March 2017 is as under:

(₹ in crore)

Particulars	As at 31st March 2017	As at 31st March 2016
Provision towards Standard Assets	13,678.24	11,188.59

j) Disclosures on Strategic Debt Restructuring Scheme (accounts which are currently under the stand-still period)

(₹ in crore)

No. of accounts where SDR has been invoked	Amount outstanding as on the reporting date		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity is pending		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity has taken place	
Classified as	Standard	NPA	Standard	NPA	Standard	NPA
7	4,281.47	Nil	2,634.44	Nil	1,647.03	Nil

k) Disclosures on Flexible Structuring of Existing Loans

(₹ in crore)

Period	No of Borrowers taken up for flexibly Structuring	Amount of Loans taken up for flexible structuring		Exposure weighted average duration of loans taken up for flexible structuring	
		Classified as Standard	Classified as NPA	Before applying flexible structuring (Yrs)	After applying flexible structuring (Yrs)
Previous Year	18	12,743.61	7,133.78	7.56yrs	15.28yrs
Current Financial Year (From 01 April 2016 to 31 March 2017)	6	3,230.38	—	4.43yrs	8.66yrs

l) Disclosures on Change in Ownership outside SDR Scheme (accounts which are currently under the stand-still period)

(₹ in crore)

No. of accounts where banks have decided to effect change in ownership	Amount outstanding as on the reporting date		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity/invocation of pledge of equity shares is pending		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity/invocation of pledge of equity shares has taken place		Amount outstanding as on the reporting date with respect to accounts where change in ownership is envisaged by issuance of fresh shares or sale of promoters equity	
Classified as	Standard	NPA	Standard	NPA	Standard	NPA	Standard	NPA
Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

m) Disclosures on Change in Ownership of Projects Under Implementation (accounts which are currently under the stand-still period)

(₹ in crore)

No. of project loan accounts where banks have decided to effect change in ownership	Amount outstanding as on the reporting date		
	Classified as standard	**Classified as standard restructured**	**Classified as NPA**
Nil	Nil	Nil	Nil

n) Disclosures on the Scheme for Sustainable Structuring of Stressed Assets (S4A), as on 31.03.2017.

(₹ in crore)

No of Accounts where S4A has been applied	Aggregate amount outstanding	Amount outstanding		Provision held
		In Part A	**In Part B**	
Standard Accounts (3)	888.03	460.49	427.54	188.40
NPAs (Nil)	Nil	Nil	Nil	Nil

18.5. Business Ratios

Particulars		Current Year	Previous Year
i.	Interest Income as a percentage to Working Funds	6.86%	7.27%
ii.	Non-interest income as a percentage to Working Funds	1.39%	1.25%
iii.	Operating Profit as a percentage to Working Funds	1.99%	1.92%
iv.	Return on Assets*	0.41%	0.46%
v.	Business (Deposits plus advances) per employee (₹ in crore)	16.24	14.11
vi.	Profit per employee (₹ in thousands)	511.10	470.27

* (on net-assets basis)

18.6. Asset Liability Management: Maturity pattern of certain items of assets and liabilities as at 31st March 2017

(₹ in crore)

	Day 1	2-7 Days	8-14 Days	15 to 30 days	Over 31 days and upto 2 months	Over 2 months and upto 3 months	Over 3 months & upto 6 months	Over 6 months & upto 1 Year	Over 1 Year & upto 3 years	Over 3 Years & upto 5 years	Over 5 Years	Total
Deposits	24,697.20	38,065.95	25,980.69	42,544.33	59,304.31	62,862.54	177,889.82	350,586.32	457,630.51	204,524.39	600,665.33	2,044,751.39
	(32,254.69)	(31,224.38)	(18,964.10)	(26,786.00)	(91,505.07)		(142,701.27)	(329,433.98)	(406,204.54)	(159,306.39)	(492,342.02)	(1,730,722.44)
Advances	88,220.08	11,902.42	10,735.41	24,246.23	26,857.91	33,575.28	25,110.19	34,647.16	573,668.96	130,137.82	611,976.92	1,571,078.38
	(81,248.64)	(10,318.80)	(8,806.38)	(17,512.55)	(89,543.50)		(51,218.22)	(66,019.16)	(665,803.22)	(175,530.67)	(297,699.28)	(1,463,700.42)
Investments	0.11	2,467.87	3,533.97	9,420.60	20,303.63	23,030.42	65,709.50	47,135.41	100,108.55	109,188.92	385,090.65	765,989.63
	(0.70)	(2,178.40)	(13,283.39)	(7,983.89)	(23,234.47)		(16,584.72)	(24,030.26)	(100,763.66)	(63,387.22)	(324,205.07)	(575,651.78)
Borrowings	5,668.32	87,457.90	8,903.41	18,284.39	23,097.43	24,040.18	37,371.23	13,169.80	20,431.03	23,590.79	55,679.18	317,693.66
	(2,111.64)	(108,418.22)	(3,753.41)	(16,751.13)	(55,712.26)		(25,352.81)	(17,601.19)	(31,350.48)	(16,574.17)	(45,719.28)	(323,344.59)
Foreign Currency Assets #	80,272.16	1,328.79	3,953.60	8,351.58	9,722.94	9,768.94	12,432.10	32,353.90	63,954.10	67,312.64	40,758.58	330,209.33
	(78,671.10)	(1,495.59)	(990.85)	(7,330.95)	(30,412.64)		(19,118.60)	(20,894.87)	(59,109.37)	(65,118.64)	(47,100.93)	(330,243.54)
Foreign Currency Liabilities $	30,639.24	12,268.81	10,316.45	21,500.13	28,558.95	30,283.69	51,784.89	35,556.34	46,971.60	34,795.54	18,202.56	320,878.20
	(28,569.54)	(9,803.31)	(4,293.14)	(20,231.25)	(62,665.39)		(36,463.27)	(52,236.94)	(59,586.10)	(32,578.57)	(10,116.16)	(316,543.67)

\# Foreign Currency Assets and Liabilities represent advances and investments (net of provision thereof)

$ Foreign Currency Liabilities represent borrowings and deposits.

(Figures in brackets are as at 31st March 2016)

18.7. Exposures

The Bank is lending to sectors, which are sensitive to asset price fluctuations.

a) Real Estate Sector

(₹ in crore)

Particulars	As at 31st March 2017	As at 31st March 2016
(I) Direct exposure		
i) Residential Mortgages	251,386.94	206,765.40
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented.	251,386.94	206,765.40
Of which (i) Individual housing loans up to ₹ 28 lakh (₹ 25 lakh in last year) in Metropolitan centres (Population > ₹ 10 lacs) and ₹ 20 lakh (₹ 15 lakh in last year) in other centres for purchase/construction of dwelling unit per family.	106,094.23	104,934.43
ii) Commercial Real Estate		
Lending secured by mortgages on Commercial Real Estates (office building, retail space, multi purpose commercial premises, multi family residential buildings, multi tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction etc. Exposures would also include non fund based (NFB) limits.	36,915.86	27,364.60
iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures:	214.69	877.99
a) Residential	214.69	877.99
b) Commercial Real Estate	—	—
(II) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	70,703.93	28,656.55
Total	**359,221.42**	**263,664.54**

b) Capital Market

(₹ in crore)

	Particulars	As at 31st March 2017	As at 31st March 2016
1)	Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt.	4,357.59	4,026.53
2)	Advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds.	5.78	5.36
3)	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security.	15,236.39	9,339.52
4)	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/ convertible bonds/convertible debentures/units of equity oriented mutual funds does not fully cover the advances.	668.52	19.82
5)	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers	0.17	333.40
6)	Loans sanctioned to corporates against the security of shares/bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources.	410.19	516.87
7)	Bridge loans to companies against expected equity flows/issues.	Nil	Nil
8)	Underwriting commitments taken up by the Banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds.	Nil	Nil
9)	Financing to stockbrokers for margin trading.	245.00	0.04
10)	Exposures to Venture Capital Funds (both registered and unregistered)	1,879.93	1,618.44
	Total Exposure to Capital Market	**22,803.57**	**15,859.98**

c) Risk Category wise Country Exposure

As per the extant RBI guidelines, the country exposure of the Bank is categorised into various risk categories listed in the following table. The country exposure (net funded) of the Bank for any country does not exceed 1% of its total assets except on USA, hence provision for the country exposure on USA has been made.

(₹ in crore)

Risk Category	Net Funded Exposure		Provision held	
	As at 31st March 2017	As at 31st March 2016	As at March 2017 31st	As at 31st March 2016
Insignificant	75,637.24	1.00	116.04	Nil
Very Low	53,117.01	69,481.69	Nil	78.60
Low	3,834.73	2,599.83	Nil	Nil
Low Medium	Nil	55,125.36	Nil	Nil
Medium	10,844.54	5,942.22	Nil	Nil
High	8,823.27	6,914.11	Nil	Nil
Very High	4,954.18	2,790.41	Nil	Nil
Restricted	4,124.84	4,182.70	Nil	Nil
Off-Credit	Nil	Nil	Nil	Nil
Total	161,335.81	147,037.32	116.04	78.60

d) Single Borrower and Group Borrower exposure limits exceeded by the Bank

The Bank had taken single borrower exposure & Group Borrower exposure within the prudential limit prescribed by RBI.

e) Unsecured Advances

(₹ in crore)

Particulars	As at 31st March 2017	As at 31st March 2016
a) Total Unsecured Advances of the bank	282,886.13	315,779.06
i) Of which amount of advances outstanding against charge over intangible securities such as rights, licences, authority etc.	277.42	2,183.46
ii) The estimated value of such intangible securities (as in (i) above).	277.42	2,748.40

18.8. Miscellaneous

a. Disclosure of Penalties

Central Bank of Oman levied penalty of ₹ 0.13 crore (Omani Riyal 8,000) on Muscat branch for non compliance to some of the provisions of Banking Law 2000 & circulars of Central Bank of Oman.

b. Penalty for Bouncing of SGL forms

No penalty has been levied on the Bank for bouncing of SGL Forms.

18.9. Disclosure Requirements as per the Accounting Standards

a) Employee Benefits

i. Defined Benefit Plans

1. Employee's Pension Plan and Gratuity Plan

The following table sets out the status of the Defined Benefit Pension Plan and Gratuity Plan as per the actuarial valuation by the independentActuary appointed by the Bank:-

(₹ in crore)

Particulars	Pension Plans Current Year	Pension Plans Previous Year	Gratuity Plan Current Year	Gratuity Plan Previous Year
Change in the present value of the defined benefit obligation				
Opening defined benefit obligation at 1st April 2016	59,151.41	51,616.04	7,332.14	7,182.35
Current Service Cost	715.64	843.64	151.08	128.33
Interest Cost	4,767.60	4,237.68	576.31	589.67
Past Service Cost (Vested Benefit)	1,200.00	—	—	—
Actuarial losses (gains)	6,525.61	6,212.17	227.95	451.06
Benefits paid	(2,175.52)	(1,511.96)	(996.46)	(1,019.27)
Direct Payment by Bank	(2,359.84)	(2,246.16)	—	—
Closing defined benefit obligation at 31st March 2017	67,824.90	59,151.41	7,291.02	7,332.14
Change in Plan Assets				
Opening fair value of Plan Assets as at 1st April 2016	53,410.37	49,387.97	6,879.77	7,110.25
Expected Return on Plan Assets	4,304.88	4,296.75	540.75	618.59
Contributions by employer	6,771.00	1,400.54	674.78	213.24
Expected Contributions by the employees	3.09	—	—	—
Benefits Paid	(2,175.52)	(1,511.96)	(996.46)	(1,019.27)
Actuarial Gains / (Loss) on plan Assets	2,246.60	(162.93)	182.34	(43.04)
Closing fair value of plan assets as at 31st March 2017	64,560.42	53,410.37	7,281.18	6,879.77
Reconciliation of present value of the obligation and fair value of the plan assets				
Present Value of Funded obligation at 31st March 2017	67,824.90	59,151.41	7,291.02	7,332.14
Fair Value of Plan assets at 31st March 2017	64,560.42	53,410.37	7,281.18	6,879.77
Deficit/(Surplus)	3,264.48	5,741.04	9.84	452.37
Unrecognised Past Service Cost (Vested) Closing Balance	—	—	—	—
Unrecognised Transitional Liability Closing Balance	—	—	—	—
Net Liability/(Asset)	3,264.48	5,741.04	9.84	452.37
Amount Recognised in the Balance Sheet				
Liabilities	67,824.90	59,151.41	7,291.02	7,332.14
Assets	64,560.42	53,410.37	7,281.18	6,879.77
Net Liability/(Asset) recognised in Balance Sheet	3,264.48	5,741.04	9.84	452.37
Unrecognised Past Service Cost (Vested) Closing Balance	—	—	—	—
Unrecognised Transitional Liability Closing Balance	—	—	—	—
Net Liability/(Asset)	3,264.48	5,741.04	9.84	452.37
Net Cost recognised in the profit and loss account				
Current Service Cost	715.64	843.64	151.08	128.33

(₹ in crore)

Particulars	Pension Plans		Gratuity Plan	
	Current Year	Previous Year	Current Year	Previous Year
Interest Cost	4,767.60	4,237.68	576.31	589.67
Expected return on plan assets	(4,304.88)	(4,296.75)	(540.75)	(618.59)
Expected Contributions by the employees	(3.09)	—	—	—
Past Service Cost (Amortised) Recognised	—	—	—	—
Past Service Cost (Vested Benefit) Recognised	1,200.00	—	—	—
Net actuarial losses (Gain) recognised during the year	4,279.01	6,375.10	45.61	494.10
Total costs of defined benefit plans included in Schedule 16 "Payments to and provisions for employees"	6,654.28	7,159.67	232.25	593.51
Reconciliation of expected return and actual return on Plan Assets				
Expected Return on Plan Assets	4,304.88	4,296.75	540.75	618.59
Actuarial Gain/(loss) on Plan Assets	2,246.60	(162.93)	182.34	(43.04)
Actual Return on Plan Assets	6,551.48	4,133.82	723.09	575.55
Reconciliation of opening and closing net liability/(asset) recognised in Balance Sheet				
Opening Net Liability/(Asset) as at 1st April 2016	5,741.04	2,228.07	452.37	72.10
Expenses as recognised in profit and loss account	6,654.28	7,159.67	232.25	593.51
Paid by Bank Directly	(2,359.84)	(2,246.16)	—	—
Debited to Other Provision	—	—	—	—
Recognised in Reserve	—	—	—	—
Employer's Contribution	(6,771.00)	(1,400.54)	(674.78)	(213.24)
Net liability/(Asset) recognised in Balance Sheet	3,264.48	5,741.04	9.84	452.37

Investments under Plan Assets of Pension Fund & Gratuity Fund as on 31st March 2017 are as follows:

Category of Assets	Pension Fund	Gratuity Fund
	% of Plan Assets	% of Plan Assets
Central Govt. Securities	33.02%	24.96%
State Govt. Securities	26.44%	24.99%
Debt Securities, Money Market Securities and Bank Deposits	34.68%	21.59%
Insurer Managed Funds	—	23.30%
Others	5.86%	5.16%
Total	100.00%	100.00%

Principal actuarial assumptions

Particulars	Pension Plans		Gratuity Plans	
	Current year	Previous year	Current year	Previous year
Discount Rate	7.45%	8.06%	7.27%	7.86%
Expected Rate of return on Plan Asset	7.45%	8.06%	7.27%	7.86%
Salary Escalation	5.00%	5.00%	5.00%	5.00%
Attrition Rate	2.00%	2.00%	2.00%	2.00%
Mortality Table	IALM (2006-08) ULTIMATE	IALM (2006-08) ULTIMATE	IALM (2006-08) ULTIMATE	IALM (2006-08) ULTIMATE

Surplus/Deficit in the Plan

Gratuity Plan

(₹ in crore)

Amount recognized in the Balance Sheet	Year ended 31-03-2013	Year ended 31-03-2014	Year ended 31-03-2015	Year ended 31-03-2016	Year ended 31-03-2017
Liability at the end of the year	7,050.57	6,838.07	7,182.35	7,332.14	7,291.02
Fair value of Plan Assets at the end of the year	6,549.31	7,090.59	7,110.25	6,879.77	7,281.18
Difference	501.26	(252.52)	72.10	452.37	9.84
Unrecognised Past Service Cost	200.00	—	—	—	—
Unrecognised Transition Liability	—	—	—	—	—
Amount Recognized in the Balance Sheet	301.26	(252.52)	72.10	452.37	9.84

Experience adjustment

(₹ in crore)

Amount recognized in the Balance Sheet	Year ended 31-03-2013	Year ended 31-03-2014	Year ended 31-03-2015	Year ended 31-03-2016	Year ended 31-03-2017
On Plan Liability (Gain)/Loss	459.56	210.19	(24.69)	326.09	10.62
On Plan Asset (Loss)/Gain	62.46	23.87	106.04	(43.09)	182.34

Surplus/Deficit in the plan

Pension

(₹ in crore)

Amount recognized in the Balance Sheet	Year ended 31-03-2013	Year ended 31-03-2014	Year ended 31-03-2015	Year ended 31-03-2016	Year ended 31-03-2017
Liability at the end of the year	39,564.21	45,236.99	51,616.04	59,151.41	67,824.90
Fair value of Plan Assets at the end of the year	35,017.57	42,277.01	49,387.97	53,410.37	64,560.42
Difference	4,546.64	2,959.98	2,228.07	5,741.04	3,264.48
Unrecognised Past Service Cost	—	—	—	—	—
Unrecognised Transition Liability	—	—	—	—	—
Amount Recognized in the Balance Sheet	4,546.64	2,959.98	2,228.07	5,741.04	3,264.48

Experience adjustment

On Plan Liability (Gain)/Loss	345.90	7,709.67	1,732.86	5,502.35	3,007.59
On Plan Asset (Loss)/Gain	419.58	335.40	2,285.87	(162.93)	2,246.60

The estimates of future salary growth, factored in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market. Such estimates are very long term and are not based on limited past experience/immediate future. Empirical evidence also suggests that in very long term, consistent high salary growth rates are not possible, which has been relied upon by the auditors.

2. Employees' Provident Fund

Actuarial valuation carried out in respect of interest shortfall in the Provident Fund Trust of the Bank, as per Deterministic Approach shows "Nil" liability, hence no provision is made in F.Y. 2016-17.

The following table sets out the status of Provident Fund as per the actuarial valuation by the independent Actuary appointed by the Bank:-

(₹ in crore)

Particulars	Provident Fund	
	Current Year	Previous Year
Change in the present value of the defined benefit obligation		
Opening defined benefit obligation at 1st April 2016	25,159.70	22,498.51
Current Service Cost	811.36	1,632.22
Interest Cost	2,177.60	2,026.72
Employee Contribution (including VPF)	1,031.10	1,983.67
Actuarial losses/(gains)	—	0.01
Benefits paid	(3,257.80)	(2,981.43)
Closing defined benefit obligation at 31st March 2017	25,921.96	25,159.70
Change in Plan Assets		
Opening fair value of Plan Assets as at 1st April 2016	25,985.32	23,197.82
Expected Return on Plan Assets	2,177.60	2,026.72
Contributions	1,842.46	3,615.89
Benefits Paid	(3,257.80)	(2,981.43)
Actuarial Gains/(Loss) on plan Assets	167.65	126.32
Closing fair value of plan assets as at 31st March 2017	26,915.23	25,985.32
Reconciliation of present value of the obligation and fair value of the plan assets		
Present Value of Funded obligation at 31st March 2017	25,921.96	25,159.70
Fair Value of Plan assets at 31st March 2017	26,915.23	25,985.32
Deficit/(Surplus)	(993.27)	(825.62)
Net Asset not recognised in Balance Sheet	993.27	825.62
Net Cost recognised in the profit and loss account		
Current Service Cost	811.36	1,632.22
Interest Cost	2,177.60	2,026.72
Expected return on plan assets	(2,177.60)	(2,026.72)
Interest shortfall reversed	—	—
Total costs of defined benefit plans included in Schedule 16 “Payments to and provisions for employees”	811.36	1,632.22
Reconciliation of opening and closing net liability/ (asset) recognised in Balance Sheet		
Opening Net Liability as at 1st April 2016	—	—
Expense as above	811.36	1,632.22
Employer’s Contribution	(811.36)	(1,632.22)
Net Liability/(Asset) Recognized In the Balance Sheet	—	—

Investments under Plan Assets of Provident Fund as on 31st March 2017 are as follows:

Category of Assets	Provident Fund % of Plan Assets
Central Govt. Securities	40.56%
State Govt. Securities	21.16%
Debt Securities, Money Market Securities and Bank Deposits	33.35%
Insurer Managed Funds	—
Others	4.93%
Total	100.00%

Principal actuarial assumptions

Particulars	Provident Fund	
	Current Year	Previous Year
Discount Rate	7.27%	7.86%
Guaranteed Return	8.80%	8.75%
Attrition Rate	2.00%	2.00%
Salary Escalation	5.00%	5.00%
Mortality Table	IALM (2006-08) ULTIMATE	IALM (2006-08) ULTIMATE

There is a guaranteed return applicable to liability under SBI Employees Provident Fund which shall not be lower of either:

(a) one half percent above the average standard rate (adjusted up or down to the interest one quarter per cent) quoted by the bank for new deposits fixed for twelve months in the preceding year (ending on the preceding the 31st day of March); or

(b) three percent per annum, subject to approval of Executive Committee.

ii. Defined Contribution Plan:

The Bank has a Defined Contribution Pension Scheme (DCPS) applicable to all categories of officers and employees joining the Bank on or after August 1, 2010. The Scheme is managed by NPS Trust under the aegis of the Pension Fund Regulatory and Development Authority. National Securities Depository Limited has been appointed as the Central Record Keeping Agency for the NPS. During F.Y.2016-17, the Bank has contributed ₹ 218.15 crore (Previous Year ₹ 191.18 crore).

iii. Long Term Employee Benefits (Unfunded Obligation):

(A) Accumulating Compensated Absences (Privilege Leave)

The following table sets out the status of Accumulating Compensated Absences (Privilege Leave) as per the actuarial valuation by the independent Actuary appointed by the Bank:-

(₹ in crore)

Particulars	Accumulating Compensated Absences (Privilege Leave)	
	Current Year	Previous Year
Change in the present value of the defined benefit obligation		
Opening defined benefit obligation at 1st April 2016	4,375.49	3,756.50
Current Service Cost	212.74	230.94

(₹ in crore)

Particulars	Accumulating Compensated Absences (Privilege Leave) Current Year	Previous Year
Interest Cost	343.91	308.41
Actuarial losses/(gains)	397.82	590.64
Benefits paid	(575.86)	(511.00)
Closing defined benefit obligation at 31st March 2017	4,754.10	4,375.49
Net Cost recognised in the profit and loss account		
Current Service Cost	212.74	230.94
Interest Cost	343.91	308.41
Actuarial (Gain)/Losses	397.82	590.64
Total costs of defined benefit plans included in Schedule 16 "Payments to and provisions for employees"	954.47	1,129.99
Reconciliation of opening and closing net liability/(asset) recognised in Balance Sheet		
Opening Net Liability as at 1st April 2016	4,375.49	3,756.50
Expense as above	954.47	1,129.99
Employer's Contribution	—	—
Benefit paid directly by the Employer	(575.86)	(511.00)
Net Liability/(Asset) Recognized in the Balance Sheet	4,754.10	4,375.49

Principal actuarial assumptions

Particulars	Current Year	Previous Year
Discount Rate	7.27%	7.86%
Salary Escalation	5.00%	5.00%
Attrition Rate	2.00%	2.00%
Mortality Table	IALM (2006-08) ULTIMATE	IALM (2006-08) ULTIMATE

(B) Other Long Term Employee Benefits

Amount of ₹46.94 Crore (Previous Year ₹(-) 7.62 Crore) is provided/ (written back) towards Other Long Term Employee Benefits as per the actuarial valuation by the independent Actuary appointed by the Bank and is included under the head "Payments to and Provisions for Employees" in Profit and Loss Account.

Details of Provisions made for various Other Long Term Employee Benefits during the year:

(₹ in crore)

Sr. No.	Long Term Employee Benefits	Current Year	Previous Year
1	Leave Travel and Home Travel Concession (Encashment/Availment)	15.10	10.00
2	Sick Leave	—	—
3	Silver Jubilee Award	30.64	(7.79)
4	Resettlement Expenses on Superannuation	(0.25)	(0.54)
5	Casual Leave	—	—
6	Retirement Award	1.45	(9.29)
	Total	**46.94**	**(7.62)**

Principal actuarial assumptions

Particulars	Current Year	Previous Year
Discount Rate	7.27%	7.86%
Salary Escalation	5.00%	5.00%
Attrition Rate	2.00%	2.00%
Mortality Table	IALM (2006-08) ULTIMATE	IALM (2006-08) ULTIMATE

b) Segment Reporting:

1. Segment Identification

I. Primary (Business Segment)

The following are the primary segments of the Bank:-

- Treasury
- Corporate/Wholesale Banking
- Retail Banking
- Other Banking Business

The present accounting and information system of the Bank does not support capturing and extraction of the data in respect of the above segments separately. However, based on the present internal, organisational and management reporting structure and the nature of their risk and returns, the data on the primary segments have been computed as under:

i. Treasury

The Treasury Segment includes the entire investment portfolio and trading in foreign exchange contracts and derivative contracts. The revenue of the treasury segment primarily consists of fees and gains or losses from trading operations and interest income on the investment portfolio.

ii. Corporate/Wholesale Banking

The Corporate/Wholesale Banking segment comprises the lending activities of Corporate Accounts Group, Mid Corporate Accounts Group and Stressed Assets Management Group. These include providing loans and transaction services to corporate and institutional clients and further include non-treasury operations of foreign offices.

iii. Retail Banking

The Retail Banking Segment comprises of branches in National Banking Group, which primarily includes Personal Banking activities including lending activities to corporate customers having banking relations with branches in the National Banking Group. This segment also includes agency business and ATMs.

iv) Other Banking business

Segments not classified under (i) to (iii) above are classified under this primary segment.

II. Secondary (Geographical Segment)

i) Domestic Operations — Branches/Offices having operations in India

ii) Foreign Operations — Branches/Offices having operations outside India and offshore Banking units having operations in India

III. Pricing of Inter-segmental Transfers

The Retail Banking segment is the primary resource mobilising unit. The Corporate/Wholesale Banking and Treasury segments are recipient of funds from Retail Banking. Market related Funds Transfer Pricing (MRFTP) is followed under which a separate unit called Funding Centre has been created. The Funding Centre notionally buys funds that the business units raise in the form of deposits or borrowings and notionally sell funds to business units engaged in creating assets.

IV. Allocation of Expenses, Assets and Liabilities

Expenses incurred at Corporate Centre establishments directly attributable either to Corporate/ Wholesale and Retail Banking Operations or to Treasury Operations segment, are allocated accordingly. Expenses not directly attributable are allocated on the basis of the ratio of number of employees in each segment/ratio of directly attributable expenses.

The Bank has certain common assets and liabilities, which cannot be attributed to any segment, and the same are treated as unallocated.

2. Segment Information

Part A: Primary (Business Segments)

(₹ in crore)

Business Segment	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Operations	Total
Revenue #	63,551.80	60,676.63	84,411.17	—	2,08,639.60
	(49,572.24)	(63,983.80)	(76,531.65)	(—)	(1,90,087.69)
Unallocated Revenue # . .					2339.57
					(1,755.98)
Total Revenue					2,10,979.17
					(1,91,843.67)
Result #	14,043.57	-18,192.09	20,864.26	—	16,715.74
	(8,246.77)	(-11,466.70)	(18,967.10)	(—)	(15,747.17)
Unallocated Income(+)/ Expenses(-) - net # . . .					-1860.58
					(-1,973.11)
Profit before tax #					14,855.16
					(13,774.06)
Tax #					4,371.06
					(3,823.41)
Extraordinary Profit # . .					Nil
					Nil
Net Profit #					10,484.10
					(9,950.65)
Other Information:					
Segment Assets *	8,04,449.56	9,31,293.68	9,54,597.65	—	26,90,340.89
	(6,05,816.23)	(8,74,603.31)	(8,57,750.16)	(—)	(23,38,169.70)
Unallocated Assets * . . .					15,625.41
					(19,447.84)
Total Assets*					27,05,966.30
					(23,57,617.54)
Segment Liabilities * . . .	6,08,747.16	8,44,527.74	9,97,848.30	—	24,51,123.20
	(3,91,330.86)	(7,96,500.56)	(965,368.29)	(—)	(21,53,199.71)
Unallocated Liabilities* .					66,557.04
					(60,143.40)
Total Liabilities *					25,17,680.24
					(22,13,343.11)

(Figures in brackets are for previous year)

Part B: Secondary (Geographic Segments)

(₹ in crore)

	Domestic		Foreign		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Revenue #	2,00,296.31	1,80,078.66	10,682.86	11,765.01	2,10,979.17	1,91,843.67
Net Profit #	7637.52	5,936.62	2846.58	4,014.03	10,484.10	9,950.65
Assets*	23,45,534.83	20,29,344.28	3,60,431.47	3,28,273.26	27,05,966.30	23,57,617.54
Liabilities*	21,57,248.77	18,85,069.85	3,60,431.47	3,28,273.26	25,17,680.24	22,13,343.11

\# For the year ended 31st March 2017

* As at 31st March 2017

c) Related Party Disclosures:

1. Related Parties

A. SUBSIDIARIES

i. DOMESTIC BANKING SUBSIDIARIES (merged w.e.f. 1st April 2017)

1. State Bank of Bikaner & Jaipur
2. State Bank of Hyderabad
3. State Bank of Mysore
4. State Bank of Patiala
5. State Bank of Travancore

ii. FOREIGN BANKING SUBSIDIARIES

1. SBI (Mauritius) Ltd.
2. SBI Canada Bank
3. State Bank of India (California)
4. Commercial Indo Bank Llc , Moscow
5. PT Bank SBI Indonesia
6. Nepal SBI Bank Ltd.
7. Bank SBI Botswana Limited

iii. DOMESTIC NON-BANKING SUBSIDIARIES

1. SBI Capital Markets Ltd.
2. SBI DFHI Ltd.
3. SBI Mutual Fund Trustee Company Pvt. Ltd.
4. SBICAP Securities Ltd.
5. SBICAP Ventures Ltd.
6. SBICAP Trustee Company Ltd.
7. SBI Cards and Payment Services Pvt. Ltd.
8. SBI Funds Management Pvt. Ltd.
9. SBI Life Insurance Company Ltd.
10. SBI Pension Funds Pvt. Ltd.
11. SBI — SG Global Securities Services Pvt. Ltd.

12. SBI Global Factors Ltd.

13. SBI General Insurance Company Ltd.

14. SBI Payment Services Pvt. Ltd.

15. SBI Foundation

16. SBI Infra Management Solutions Pvt. Ltd

iv. FOREIGN NON-BANKING SUBSIDIARIES

1. SBICAP (UK) Ltd.

2. SBI Funds Management (International) Pvt. Ltd.

3. SBICAP (Singapore) Ltd.

4. State Bank of India Servicos Limitada

5. Nepal SBI Merchant Banking Limited

B. JOINTLY CONTROLLED ENTITIES

1. GE Capital Business Process Management Services Pvt. Ltd

2. C-Edge Technologies Ltd.

3. Macquarie SBI Infrastructure Management Pte. Ltd.

4. Macquarie SBI Infrastructure Trustee Ltd.

5. SBI Macquarie Infrastructure Management Pvt. Ltd.

6. SBI Macquarie Infrastructure Trustee Pvt. Ltd.

7. Oman India Joint Investment Fund — Management Company Pvt. Ltd.

8. Oman India Joint Investment Fund — Trustee Company Pvt. Ltd.

9. Jio Payments Bank Ltd.

C. ASSOCIATES

i. Regional Rural Banks

1. Andhra Pradesh Grameena Vikas Bank

2. Arunachal Pradesh Rural Bank

3. Chhattisgarh Rajya Gramin Bank

4. Ellaquai Dehati Bank

5. Meghalaya Rural Bank

6. Langpi Dehangi Rural Bank

7. Madhyanchal Gramin Bank

8. Mizoram Rural Bank

9. Nagaland Rural Bank

10. Purvanchal Bank

11. Saurashtra Gramin Bank

12. Utkal Grameen Bank

13. Uttarakhand Gramin Bank

14. Vananchal Gramin Bank

15. Rajasthan Marudhara Gramin Bank

16. Telangana Grameena Bank

17. Kaveri Grameena Bank

18. Malwa Gramin Bank

ii. Others

1. SBI Home Finance Ltd.(under liquidation)

2. The Clearing Corporation of India Ltd.

3. Bank of Bhutan Ltd.

D. Key Management Personnel of the Bank

1. Smt. Arundhati Bhattacharya, Chairman

2. Shri V.G. Kannan, Managing Director (Associates & Subsidiaries) up to 31.07.2016

3. Shri B. Sriram, Managing Director (Corporate Banking Group)

4. Shri Rajnish Kumar, Managing Director (National Banking Group)

5. Shri P. K. Gupta, Managing Director (Compliance & Risk)

6. Shri Dinesh Kumar Khara, Managing Director (Associates & Subsidiaries) from 09.08.2016

2. Parties with whom transactions were entered into during the year

No disclosure is required in respect of related parties, which are "State-controlled Enterprises" as per paragraph 9 of Accounting Standard (AS) 18. Further, in terms of paragraph 5 of AS 18, transactions in the nature of Banker-Customer relationship have not been disclosed including those with Key Management Personnel and relatives of Key Management Personnel.

3. Transactions and Balances

(₹ in crore)

Particulars	Associates/ Joint Ventures	Key Management Personnel & their relatives	Total
Outstanding as at 31st March			
Borrowings	Nil	Nil	Nil
	(Nil)	(Nil)	(Nil)
Deposit	14.91	Nil	14.91
	(39.07)	(Nil)	(39.07)
Other Liabilities	Nil	Nil	Nil
	(Nil)	(Nil)	(Nil)
Balance with Banks	Nil	Nil	Nil
	(Nil)	(Nil)	(Nil)
Advance	Nil	Nil	Nil
	(Nil)	(Nil)	(Nil)
Investment	81.15	Nil	81.15
	(41.55)	(Nil)	(41.55)
Non-fund commitments (LCs/BGs)	Nil	Nil	Nil
	(Nil)	(Nil)	(Nil)
Maximum outstanding during the year			
Borrowings	Nil	Nil	Nil
	(Nil)	(Nil)	(Nil)
Deposit	29.17	Nil	29.17
	(51.95)	(Nil)	(51.95)
Other Liabilities	Nil	Nil	Nil
	(0.02)	(Nil)	(0.02)
Balance with Banks	Nil	Nil	Nil
	(2.12)	(Nil)	(2.12)
Advance	Nil	Nil	Nil
	(Nil)	(Nil)	(Nil)
Investment	81.15	Nil	81.15
	(41.55)	(Nil)	(41.55)
Non-fund commitments (LCs/BGs)	Nil	Nil	Nil
	(Nil)	(Nil)	(Nil)
During the year ended 31st March			
Interest Income	Nil	Nil	Nil
	(Nil)	(Nil)	(Nil)
Interest expenditure	0.18	Nil	0.18
	(1.86)	(Nil)	(1.86)
Income earned by way of dividend	33.83	Nil	33.83
	(27.32)	(Nil)	(27.32)
Other Income	Nil	Nil	Nil
	(Nil)	(Nil)	(Nil)
Other expenditure	Nil	Nil	Nil
	(Nil)	(Nil)	(Nil)
Profit/(loss) on sale of land/building and other assets	Nil	Nil	Nil
	(Nil)	(Nil)	(Nil)
Management contracts	Nil	1.39	1.39
	(Nil)	(1.58)	(1.58)

Figures in brackets are for Previous Year

There are no materially significant related party transactions during the year.

d) Liability for Operating Leases

Premises taken on operating lease are given below:

Operating leases primarily comprise office premises and staff residences, which are renewable at the option of the Bank.

(i) Liability for Premises taken on Non-Cancellable operating lease are given below

(₹ in crore)

Particulars	**As at 31st March 2017**	**As at 31st March 2016**
Not later than 1 year	282.78	277.70
Later than 1 year and not later than 5 years	1,145.19	1,165.78
Later than 5 years	303.09	311.17
Total	**1,731.06**	**1,754.65**

(ii) Amount of lease payments recognised in the P&L Account for operating leases is ₹ 2,582.72 crore (₹ 2,110.27 crore).

e) Earnings per Share

The Bank reports basic and diluted earnings per equity share in accordance with Accounting Standard 20 - "Earnings per Share". "Basic earnings" per share is computed by dividing net profit after tax by the weighted average number of equity shares outstanding during the year.

(₹ in crore)

Particulars Basic and diluted	**Current Year**	**Previous Year**
Number of Equity Shares outstanding at the beginning of the year	7,76,27,77,042	746,57,30,920
Number of Equity Shares issued during the year	21,07,27,400	29,70,46,122
Number of Equity Shares outstanding at the end of the year	7,97,35,04,442	7,76,27,77,042
Weighted average number of equity shares used in computing basic earnings per share	7,80,37,67,851	7,66,55,68,627
Weighted average number of shares used in computing diluted earnings per share	780,37,67,851	7,66,55,68,627
Net profit (₹ in crore)	10,484.10	9,950.65
Basic earnings per share (₹)	13.43	12.98
Diluted earnings per share (₹)	13.43	12.98
Nominal value per share (₹)	1	1

f) Accounting for Taxes on Income:

a. Current Tax :-

During the year the Bank has debited to Profit & Loss Account ₹4,165.83 crore (Previous Year ₹4,003.27 crore) on account of current tax. The Current Tax in India has been calculated in accordance with the provisions of Income Tax Act 1961 after taking appropriate relief for taxes paid in foreign jurisdictions.

b. Deferred Tax :-

During the year, ₹337.78 crore has been debited to Profit and Loss Account (Previous Year ₹245.47 crore debited) on account of deferred tax.

The Bank has a net Deferred Tax Liability (DTL) of ₹2,561.87crore (Previous Year net DTL of ₹2,212.44 crore), which comprises of DTL of ₹2,989.77crore (Previous Year ₹ 2,684.96 crore) included under 'Other Liabilities and Provisions' and Deferred Tax Assets (DTA) of

₹427.90 crore (Previous Year ₹472.52 crore) included under ‘Other Assets’. The major components of DTA and DTL is given below:

Particulars	As at 31st March 2017	As at 31st March 2016
		(₹ in crore)
Deferred Tax Assets (DTA)		
Provision for long term employee Benefits	2,332.20	1,605.78
Provision/Additional Provision on specified Restructured Standard Assets/Standard Assets over the specified RBI Prudential Norms	2,564.22	1,791.21
Provision for Other Assets/Other Liability	724.65	238.29
On Foreign Currency Translation Reserve	—	262.27
Amortisation of Discount	2.26	11.79
On account of Foreign Offices	427.91	472.52
Total	**6,051.24**	**4,381.86**
Deferred Tax Liabilities (DTL)		
Depreciation on Fixed Assets	219.73	174.61
Interest accrued but not due on Securities	4,305.62	3,476.39
Special Reserve created u/s 36(1)(viii) of Income Tax Act 1961	3,522.29	2,941.40
On account of Foreign Offices	2.19	1.90
On Foreign Currency Translation Reserve	563.28	—
Total	**8,613.11**	**6,594.30**
Net Deferred Tax Assets/(Liabilities)	**(2,561.87)**	**(2,212.44)**

g) Investments in Jointly Controlled Entities

Investments include ₹ 78.17 crore (Previous Year ₹ 38.43 crore) representing Bank’s interest in the following jointly controlled entities

Sr. No	Name of the Company	Amount ₹ in crore	Country of Residence	Holding %
1	GE Capital Business Process Management Services Pvt. Ltd.	9.44 (9.44)	India	40%
2	C - Edge Technologies Ltd.	4.90 (4.90)	India	49%
3	Maquarie SBI Infrastructure Management Pte. Ltd.	2.25 (2.25)	Singapore	45%
4	SBI Macquarie Infrastructure Management Pvt. Ltd.	18.57 (18.57)	India	45%
5	SBI Macquarie Infrastructure Trustee Pvt. Ltd.	0.03 (0.03)	India	45%
6	Macquarie SBI Infrastructure Trustee Ltd.#	1.07 (0.93)	Bermuda	45%
7	Oman India Joint Investment Fund Management Company Pvt. Ltd.	2.30 (2.30)	India	50%
8	Oman India Joint Investment Fund Trustee Company Pvt. Ltd.	0.01 (0.01)	India	50%
9	Jio Payments Bank	39.6 (Nil)	India	30%

\# Indirect holding through Maquarie SBI Infra Management Pte. Ltd., against which the Company has made 100% provision on investments made upto 31st March 2016.

(Figures in brackets relate to previous year)

As required by AS 27, the aggregate amount of the assets, liabilities, income, expenses, contingent liabilities and commitments related to the Bank's interests in jointly controlled entities are disclosed as under:

(₹ in crore)

Particulars	As at 31st March 2017	As at 31st March 2016
Liabilities		
Capital & Reserves	230.72	174.57
Deposits	—	—
Borrowings	9.93	5.31
Other Liabilities & Provisions	118.74	101.07
Total	**359.39**	**280.95**
Assets		
Cash and Balances with RBI	0.02	0.01
Balances with Banks and money at call and short notice	139.84	114.50
Investments	54.65	9.00
Advances	—	—
Fixed Assets	44.68	31.02
Other Assets	120.20	126.42
Total	**359.39**	**280.95**
Capital Commitments	—	—
Other Contingent Liabilities	1.52	6.04
Income		
Interest earned	9.14	6.75
Other income	366.32	328.38
Total	**375.46**	**335.13**
Expenditure		
Interest expended	0.71	0.96
Operating expenses	299.69	260.30
Provisions & contingencies	23.91	22.18
Total	**324.31**	**283.44**
Profit	**51.15**	**51.69**

Jio Payments Bank Limited has been incorporated as a Joint Venture on November 10, 2016 in which SBI and Reliance Industries Limited are Joint Partners with stake of 30% and 70% respectively. SBI has infused Rs 39.60 crore as capital into the said Joint Venture till 31.03.2017

h) Impairment of Assets

In the opinion of the Bank's Management, there is no indication of impairment to the assets during the year to which Accounting Standard 28 — "Impairment of Assets" applies.

i) Description of Contingent Liabilities (AS-29)

Sr. No.	Particulars	Brief Description
1	Claims against the Bank not acknowledged as debts................................	The Bank is a party to various proceedings in the normal course of business. The Bank does not expect the outcome of these proceedings to have a material adverse effect on the Bank's financial conditions, results of operations or cash flows. The Bank is also a party to various taxation matters in respect of which appeals are pending.
2	Liability on partly paid-up investments/ Venture Funds.................	This item represents amounts remaining unpaid towards liability for partly paid investments. This also includes undrawn commitments for Venture Capital Funds.
3	Liability on account of outstanding forward exchange contracts..........	The Bank enters into foreign exchange contracts in its normal course of business to exchange currencies at a pre-fixed price at a future date. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. The notional amounts are recorded as Contingent Liabilities. With respect to the transactions entered into with its customers, the Bank generally enters into off-setting transactions in the interbank market. This results in generation of a higher number of outstanding transactions, and hence a large value of gross notional principal of the portfolio, while the net market risk is lower.
4	Guarantees given on behalf of constituents, acceptances, endorsements and other obligations......................	As a part of its commercial Banking activities, the Bank issues documentary credits and guarantees on behalf of its customers. Documentary credits enhance the credit standing of the customers of the Bank. Guarantees generally represent irrevocable assurances that the Bank will make payment in the event of the customer failing to fulfil its financial or performance obligations.
5	Other items for which the Bank is contingently liable.	The Bank enters into currency options, forward rate agreements, currency swaps and interest rate swaps with inter-Bank participants on its own account and for customers. Currency swaps are commitments to exchange cash flows by way of interest/principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. The notional amounts that are recorded as Contingent Liabilities, are typically amounts used as a benchmark for the calculation of the interest component of the contracts. Further, these also include estimated amount of contracts remaining to be executed on capital account and not provided for, letter of comforts issued by the Bank on behalf of Associates & Subsidiaries, Bank's Liability under Depositors Education and Awareness Fund A/c and other sundry contingent liabilities.

The Contingent Liabilities mentioned above are dependent upon the outcome of Court/ arbitration/out of Court settlements, disposal of appeals, the amount being called up, terms of contractual obligations, devolvement and raising of demand by concerned parties, as the case may be.

j) Movement of provisions against Contingent Liabilities

(₹ in crore)

Particulars	Current Year	Previous Year
Opening balance	401.10	443.58
Additions during the year	98.27	190.90
Amount utilised during the year	2.10	6.00
Unused amount reversed during the year	73.93	227.38
Closing balance	423.34	401.10

18.10 Additional Disclosures

1. Provisions and Contingencies recognised in Profit and Loss Account

(₹ in crore)

Particulars	Current Year	Previous Year
Provision for Taxation		
- Current Tax	4,165.83	4,003.27
- Deferred Tax	337.78	245.47
- Write Back of Income Tax	-132.54	-425.34
- Other Tax	—	—
Provision for Depreciation on Investments	298.39	149.56
Withdrawal from Counter Cyclical Buffer	—	-1,149.00
Provision on Non-Performing Assets	32,905.63	29,880.77
Provision on Restructured Assets	-658.94	-1,747.63
Provision on Standard Assets	2,499.64	2,157.55
Other Provisions	948.00	192.50
Total	40,363.79	33,307.15

2. Floating Provisions

(₹ in crore)

Particulars	Current Year	Previous Year
Opening Balance	25.14	25.14
Addition during the year	—	—
Draw down during the year	—	—
Closing Balance	25.14	25.14

3. Draw down from Reserves

During the year, no draw down has been made from reserves.

4. Status of complaints

A. Customer complaints (including complaints relating to ATM transactions)

Particulars	As at 31st March 2017	As at 31st March 2016
No. of complaints pending at the beginning of the year	15,335	30,896
No. of complaints received during the year	14,68,471	12,22,250
No. of complaints redressed during the year	14,37,524	12,37,811
No. of complaints pending at the end of the year	46,282	15,335

Does not include complaints redressed within one working day.

B. Awards passed by the Banking Ombudsman

Particulars	Current Year	Previous Year
No. of unimplemented Awards at the beginning of the year	—	15
No. of Awards passed by the Banking Ombudsman during the year	42	16
No. of Awards implemented during the year	39	31
No. of unimplemented Awards at the end of the year	3	—

5. Payment to Micro, Small & Medium Enterprises under the Micro, Small & Medium Enterprises Development Act, 2006

There has been no reported cases of delayed payments of the principal amount or interest due thereon to Micro, Small & Medium Enterprises.

6. Letter of Comfort issued for Subsidiaries

The Bank has issued no letters of comfort outstanding on behalf of its subsidiaries. as on 31st March 2017. (Previous Year: ₹ NIL).

7. Provisioning Coverage Ratio (PCR):

The Provisioning to Gross Non-Performing Assets ratio of the Bank as on 31st March 2017 is 65.95% (Previous Year 60.69%).

8. Fees/remuneration received in respect of the bancassurance business

(₹ in crore)

Particulars	Current Year	Previous Year
SBI Life Insurance Co. Ltd.	491.55	379.94
SBI General Insurance Co. Ltd.	107.20	82.25
Manu Life Financial Limited and NTUC	0.86	1.65
Tokio Marine, ACE	0.05	0.16
Unit Trust	0.04	—
AIA Singapore	0.14	—
TOTAL	599.84	464.00

9. CONCENTRATION OF DEPOSITS, ADVANCES EXPOSURES & NPAS (COMPUTED AS PER DIRECTIONS OF RBI)

a) Concentration of Deposits

(₹ in crore)

Particulars	Current Year	Previous Year
Total Deposits of twenty largest depositors	1,24,740.17	1,13,783.78
Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank	6.10%	6.57%

b) Concentration of Advances

(₹ in crore)

Particulars	Current Year	Previous Year
Total Advances to twenty largest borrowers	1,82,031.00	2,34,099.47
Percentage of Advances to twenty largest borrowers to Total Advances of the Bank	11.19%	15.51%

c) Concentration of Exposures

(₹ in crore)

Particulars	Current Year	Previous Year
Total Exposure to twenty largest borrowers/customers	3,98,050.00	3,51,117.08
Percentage of Exposures to twenty largest barrowers/customers to Total Exposure of the Bank on borrowers/customers.	14.67%	14.93%

d) Concentration of NPAs

(₹ in crore)

Particulars	Current Year	Previous Year
Total Exposure to top four NPA accounts.	21,901.53	26,863.55

10. Sector-wise Advances

(₹ in crore)

		Current Year			Previous year		
Sr. No.	Sector	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A	**Priority Sector**						
1	Agriculture & allied activities..........................	1,30,231.77	7,354.64	5.65	1,26,455.87	9,839.11	7.78
2	Industry (Micro & Small, Medium and Large)	78,050.67	11,536.03	14.78	91,144.42	11,602.30	12.73
3	Services...........................	53,723.75	2,378.55	4.43	32,341.80	1,747.36	5.40
4	Personal Loans	89,888.59	972.64	1.08	89,625.80	1,033.79	1.15
	Sub-total (A)	3,51,894.78	22,241.86	6.32	3,39,567.89	24,222.56	7.13
B	**Non Priority Sector**						
1	Agriculture & allied activities..........................	2,692.79	99.26	3.69	5,644.32	496.94	8.80
2	Industry (Micro & Small, Medium and Large)	7,89,932.27	82,086.39	10.39	7,22,102.72	67,674.75	9.37
3	Services...........................	1,70,032.85	6,704.73	3.94	1,90,365.38	4,355.62	2.29
4	Personal Loans	3,12,724.85	1,210.75	0.39	2,51,819.51	1,422.93	0.57
	Sub-total (B)....................	12,75,382.76	90,101.13	7.06	11,69,931.93	73,950.24	6.32
C	**Total (A+B)**.....................	**16,27,277.54**	**1,12,342.99**	**6.90**	**15,09,499.82**	**98,172.80**	**6.50**

11. Overseas Assets, NPAs and Revenue

(₹ in crore)

Sr. No.	Particulars	Current Year	Previous Year
1	Total Assets...	3,60,431.47	3,28,273.26
2	Total NPAs (Gross)...	6,794.16	7,785.13
3	Total Revenue..	10,682.86	11,765.01

12. Off-balance Sheet SPVs sponsored

	Name of the SPV Sponsored	
	Domestic	Overseas
Current Year	NIL	NIL
Previous Year	NIL	NIL

13. Disclosure relating to Securitisation

(₹ in crore)

Sr. No.	Particulars	Current Year Number	Current Year Amount	Previous Year Number	Previous Year Amount
1.	No. of the SPVs sponsored by the Bank for securitization transactions	Nil	Nil	Nil	Nil
2.	Total amount of securitized assets as per the books of the SPVs sponsored by the bank	Nil	Nil	Nil	Nil
3.	Total amount of exposures retained by the bank to comply with MMR as on the date of balance sheet ..	Nil	Nil	Nil	Nil
	a) Off-balance sheet exposures				
	i. First Loss				
	ii. Others				
	b) On-balance sheet exposures				
	i. First Loss				
	ii. Others				
4.	Amount of exposures to securitisation transactions other than MMR...............	Nil	Nil	Nil	Nil
	a) Off-balance sheet exposures				
	i. Exposures to own securitisations......................				
	1 First Loss				
	2 Others				
	ii. Exposures to third party securitisations				
	1 First Loss				
	2 Others				
	b) On-balance sheet exposures				
	i. Exposures to own securitisations				
	1 First Loss				
	2 Others				
	ii. Exposures to third party securitisations				
	1 First Loss				
	2 Others				

14. Credit Default Swaps

(₹ in crore)

Sr. No.	Particulars	Current Year: As Protection Buyer	Current Year: As Protection Seller	Previous Year: As Protection Buyer	Previous Year: As Protection Seller
1.	No. of transactions during the year	NIL	NIL	NIL	NIL
	a) of which transactions that are/may be physically settled				
	b) cash settled				
2.	Amount of protection bought / sold during the year	NIL	NIL	NIL	NIL
	a) of which transactions which are/ may be physically settled				
	b) cash settled				
3.	No. of transactions where credit event payment was received / made during the year	NIL	NIL	NIL	NIL
	a) pertaining to current year's transactions				
	b) pertaining to previous year(s)' transactions				
4.	Net income/ profit (expenditure/ loss) in respect of CDS transactions during year-to-date:	NIL	NIL	NIL	NIL
	a) premium paid / received				
	b) Credit event payments:				
	• made (net of the value of assets realised)				
	• received (net of value of deliverable obligation)				
5.	Outstanding transactions as on March 31:..	NIL	NIL	NIL	NIL
	a) No. of Transactions				
	b) Amount of protection				
6.	Highest level of outstanding transactions during the year:	NIL	NIL	NIL	NIL
	a) No. of Transactions (as on 1st April)				
	b) Amount of protection (as on 1st April)				

15. Intra-Group Exposures:

(₹ in crore)

Sr. No	Particulars	Current Year	Previous Year
i	Total amount of intra-group exposures..	23,296.28	9,251.34
ii	Total amount of top-20 intra-group exposures..............................	23,296.28	9,251.34
iii	Percentage of intra-group exposures to total exposure of the bank on borrowers / customers..	0.86	0.39
iv	Details of breach of limits on intra-group exposures and regulatory action thereon	Nil	Nil

16. Unclaimed Liabilities transferred to Depositor Education and Awareness Fund (DEAF)

(₹ in crore)

Particulars	Current Year	Previous Year
Opening balance of amounts transferred to DEAF	880.92	757.14
Add: Amounts transferred to DEAF during the year	201.64	123.78
Less: Amounts reimbursed by DEAF towards claims	1.14	Nil
Closing balance of amounts transferred to DEAF	1,081.42	880.92

17. Unhedged Foreign Currency Exposure

The Bank in accordance with RBI Circular No. DBOD.No.BP.BC.85/21.06.200/2013-14 dated January 15, 2014 on 'Capital and Provisioning Requirements for Exposure to entites has provided for Unhedged Foreign Currency Exposure'. An amount of ₹110.74 crore (Previous Year ₹161.21 crore) was held as on 31st March 2017 for towards Currency Induced Credit Risk and Capital allocated for Currency Induced Credit Risk amounting to ₹246.98 crore (Previous Year ₹237.62 crore).

18. Liquidity Coverage Ratio (LCR):

a) Standalone LCR

Liquidity Coverage Ratio (LCR) standard has been introduced with the objective that a bank maintains an adequate level of unencumbered High Quality Liquid Assets (HQLAs) that can be converted into cash to meet its liquidity needs for a 30 calendar day time horizon under a significantly severe liquidity stress scenario.

LCR has been defined as: $\dfrac{\text{Stock of high quality liquid assets (HQLAs)}}{\text{Total net cash outflow over the next 30 calendar days}}$

Liquid assets comprise of high quality assets that can be readily encashed or used as collateral to obtain cash in a range of stress scenarios. There are two categories of assets included in the stock of HQLAs, viz. Level 1 and Level 2 assets. While Level 1 assets are with 0% haircut, Level 2A and Level 2 B assets are with 15% and 50% haircuts respectively. The total net cash outflow is the total expected cash outflows minus total expected cash inflows for the subsequent 30 calendar days. Total expected cash outflows are calculated by multiplying the outstanding balances of various categories or types of liabilities and off-balance sheet commitments by the rates at which they are expected to run off or be drawn down. Total expected cash inflows are calculated by multiplying the outstanding balances of various categories of contractual receivables by the rates at which they are expected to flow in up to an aggregate cap of 75% of total expected cash outflows.

Quantitative Disclosure: Capital

Liquidity Coverage Ratio

State Bank of India (₹ in crore)

LCR COMPONENTS	Quarter ended March, 2017		Quarter ended December 31, 2016		Quarter ended September 30, 2016		Quarter ended June30, 2016		Quarter ended March 31, 2016	
	Total Unweighted Value (Average) Note 1	Total Weighted Value (Average) Note 1	Total Unweighted Value (Average) Note 2	Total Weighted Value (Average) Note 2	Total Unweighted Value (Average) Note 2	Total Weighted Value (Average) Note 2	Total Unweighted Value (Average) Note 2	Total Weighted Value (Average) Note 2	Total Unweighted Value (Average) Note 2	Total Weighted Value (Average) Note 2
HIGH QUALITY LIQUID ASSETS (HQLA)										
1 Total High Quality Liquid Assets (HQLA)		510,555		449,193		366,350		301,395		2,50,927
CASH OUTFLOWS										
2 Retail Deposits and deposits from small business customers, of which:										
(i) Stable deposits . . .	190,776	9,539	191,139	9,557	176,287	8,814	170,104	8,505	1,61,391	8,070
(ii) Less Stable Deposits	1,327,592	132,759	1,289,130	128,913	1,171,315	117,132	1,145,641	114,564	11,26,491	1,12,649
3 Unsecured wholesale funding, of which:										
(i) Operational deposits (all counterparties) . . .	—	—	—	—	—	—	61	15	—	—
(ii) Non-operational deposits (all counterparties) . . .	470,093	282,965	449,400	269,807	417,604	244,737	373,748	229,660	3,72,702	2,27,461
(iii) Unsecured debt . .	—	—	—	—	—	—	—	—	—	—
4 Secured wholesale funding	3,687	—	29,241	—	8,887	1	16,673	319	59,444	29
5 Additional requirements, of which	—		—		—		—		—	
(i) Outflows related to derivative exposures and other collateral requirements	126,314	126,314	136,539	136,539	125,334	125,334	91,975	91,975	76,881	76,881
(ii) Outflowsrelatedtolossof funding on debt products	—	—	—	—	—	—	—	—	—	—
(iii) Credit and liquidity facilities	78,531	10,964	69,000	9,763	75,927	10,139	239,603	40,260	2,08,731	29,801
6 Other contractual funding obligations .	22,157	22,157	20,903	20,903	19,419	19,419	16,243	16,243	14,283	14,283
7 Other contingent funding obligations .	465,170	16,683	476,156	17,127	477,622	17,456	338,840	10,175	3,65,189	15,889
8 TOTAL CASH OUTFLOWS	2,684,321	601,381	2,661,509	592,609	2,472,395	543,031	2,392,888	511,716	23,85,113	4,85,064
CASH INFLOWS										
9 Secured lending (eg. Reverse repos) .	50,698	—	15,254	—	5,437	—	2,942	—	312	—

State Bank of India										(₹ in crore)
	Quarter ended March, 2017		Quarter ended December 31, 2016		Quarter ended September 30, 2016		Quarter ended June30, 2016		Quarter ended March 31, 2016	
LCR COMPONENTS	Total Unweighted Value (Average) Note 1	Total Weighted Value (Average) Note 1	Total Unweighted Value (Average) Note 2	Total Weighted Value (Average) Note 2	Total Unweighted Value (Average) Note 2	Total Weighted Value (Average) Note 2	Total Unweighted Value (Average) Note 2	Total Weighted Value (Average) Note 2	Total Unweighted Value (Average) Note 2	Total Weighted Value (Average) Note 2
10 Inflows from fully performing exposures	235,209	213,985	237,226	220,232	176,384	161,597	149,177	132,804	1,41,656	1,23,564
11 Other cash inflows .	40,317	32,989	50,040	40,192	38,958	31,484	38,076	31,634	41,950	32,874
12 TOTAL CASH INFLOWS	326,224	246,974	302,520	260,424	220,779	193,081	190,194	164,438	1,83,918	1,56,437
13 TOTAL HQLA . . .		510,555		449,193		366,350		301,395		2,50,927
14 TOTAL NET CASH OUTFLOWS		354,407		332,185		349,951		347,278		3,28,627
15 LIQUIDITY COVERAGE RATIO (%)		144.06%		135.22%		104.69%		86.79%		76.36%

Note 1: As per RBI guidelines, the LCR disclosure should be based on the simple average of daily observations for the quarter starting from March 31, 2017. In view of the same, the Bank has commenced computation of the LCR on a daily basis from January 1, 2017 taking 64 data points. Note 2 : The above data represent simple average of monthly observations for the respective quarters.

The LCR position is above the minimum 80% prescribed by RBI. Bank's LCR comes to 144.06% based on daily average of three months (Q4 FY16-17). The average HQLA for the quarter was Rs 5,10,555 Crs, of which, Level 1 assets constituted 93.49% of total HQLA. Government securities constituted 96.62% of Total Level 1 Assets. Level 2 A Assets constitutes 5.33% of total HQLA and Level 2B assets constitutes 1.18% of total HQLA. The net cash outflow position has gone up on account of growth of Balance Sheet size. Derivative exposures are considered insignificant due to almost matching inflows and outflows position. During the quarter, LCR for USD (significant Foreign Currency constituting more than 5% of the Balance Sheet of the Bank) was 87.45% on average.

Liquidity Management in the Bank is driven by the ALM Policy of the Bank and regulatory prescriptions. The Domestic and International Treasuries are reporting to the Asset Liability Management Committee (ALCO). The ALCO has been empowered by the Bank's Board to formulate the Bank's funding strategies to ensure that the funding sources are well diversified and is consistent with the operational requirements of the Bank. All the major decisions of ALCO are being reported to the Bank's Board periodically. In addition to daily/monthly LCR reporting, Bank prepares daily Structural Liquidity statements to assess the liquidity needs of the Bank on an ongoing basis.

The Bank has been maintaining HQLA mainly in the form of SLR investments over and above the mandatory requirements. Retail deposits constitute major portion of total funding sources, which are well diversified. Management is of the view that the Bank has sufficient liquidity cover to meet its likely future short term requirements.

b. Consolidated LCR

The RBI through a supplementary guideline issued on March 31, 2015 had stipulated the implementation of LCR at a consolidated level from January 1, 2016. Accordingly, SBI Group has been computing the Consolidated LCR.

The entities covered in the Group LCR are six Domestic Banking and seven Overseas Banking Subsidiaries. These are State Bank of India, State Bank of Bikaner and Jaipur, State Bank of

Hyderabad, State Bank of Patiala, State Bank of Mysore, State Bank of Travancore, Bank SBI Botswana Ltd, Commercial Indo Bank LLC, Moscow, Nepal SBI Bank Ltd., State Bank of India (California) Ltd, SBI Canada Bank, State Bank of India (Mauritius) Ltd, PT Bank SBI Indonesia.

SBI Group LCR comes out to 146.53% based on average of three months as under:

SBI Group LCR Components	Quarter ended March, 2017**		Quarter ended December 31, 2016		Quarter ended September 30, 2016		Quarter ended June 30, 2016		Quarter ended March 31, 2016	
	Total Unweighted Value (Average)	Total weighted Value (Average)	Total Unweighted Value (Average)	Total Weighted Value (Average)	Total Unweighted Value (Average)	Total Weighted Value (Average)	Total Unweighted Value (Average)	Total Weighted Value (Average)	Total Unweighted Value (Average)	Total Weighted Value (Average)
High Quality Liquid Assets										
1 Total High Quality Liquid Assets (HQLA)		6,40,508		5,61,005		4,54,193		3,82,930		3,25,539
Cash Outflows										
2 Retail Deposits and deposits from small business customers, of which:										
(i) Stable deposits	2,41,589	12,079	2,41,740	12,087	2,21,518	11,076	2,14,196	10,710	2,42,670	12,134
(ii) Less Stable Deposits	17,04,999	1,70,500	16,60,872	1,66,087	15,14,128	1,51,413	14,78,756	1,47,876	14,19,909	1,41,991
3 Unsecured wholesale funding, of which:										
(i) Operational deposits (all counterparties)	59	15	55	14	53	13	111	28	4,540	1,127
(ii) Non-operational deposits (all counterparties)	5,86,666	3,36,902	5,67,051	3,30,893	5,38,012	3,07,532	5,00,563	2,95,628	4,94,122	2,87,505
(iii) Unsecured debt	7,456	7,456	0	0	0	0	0	0	0	0
4 Secured wholesale funding	3,709	1,236	29,908	0	10,730	6	18,474	404	66,768	5,872
5 Additional requirements, of which										
(i) Outflows related to derivative exposures and other collateral requirements	1,54,037	1,54,119	1,58,427	1,58,427	1,48,165	1,48,165	1,11,774	1,11,774	99,420	99,420
(ii) Outflows related to loss of funding on debt products	0	0	0	0	0	0	0	0	0	0
(iii) Credit and liquidity facilities	1,04,556	12,695	82,684	10,815	89,045	11,109	2,45,520	40,858	2,18,045	33,777
6 Other contractual funding obligations	28,620	28,620	28,307	28,307	26,887	26,887	22,774	22,774	22,415	22,415
7 Other contingent funding obligations	5,40,151	19,328	5,69,042	20,663	5,67,690	20,821	4,32,971	13,682	4,53,671	17,154
8 TOTAL CASH OUTFLOWS	33,71,843	7,42,951	33,38,086	7,27,293	31,16,228	6,77,022	30,25,139	6,43,734	30,21,560	6,21,395
Cash Inflows										
9 Secured lending (eg. Reverse repos)	60,900	0	29,016	1	7,517	1	3,533	1	1,440	331

SBI Group LCR Components		Quarter ended March, 2017**		Quarter ended December 31, 2016		Quarter ended September 30, 2016		Quarter ended June 30, 2016		Quarter ended March 31, 2016	
		Total Unweighted Value (Average)	Total weighted Value (Average)	Total Unweighted Value (Average)	Total Weighted Value (Average)	Total Unweighted Value (Average)	Total Weighted Value (Average)	Total Unweighted Value (Average)	Total Weighted Value (Average)	Total Unweighted Value (Average)	Total Weighted Value (Average)
10	Inflows from fully performing exposures	2,78,044	2,49,098	2,85,616	2,60,774	2,19,922	1,97,273	1,91,672	1,67,273	1,85,061	1,57,195
11	Other cash inflows .	65,560	56,743	62,192	50,510	49,606	39,998	46,381	38,222	55,503	42,258
12	Total Cash Inflows .	4,04,503	3,05,841	3,76,824	3,11,285	2,77,045	2,37,272	2,41,586	2,05,496	2,42,004	1,99,784
21	TOTAL HQLA . . .		6,40,508		5,61,005		4,54,193		3,82,930		3,25,539
22	TOTAL NET CASH OUTFLOWS		4,37,110		4,16,008		4,39,750		4,38,238		4,21,611
23	LIQUIDITY COVERAGE RATIO (%).		146.53%		134.85%		103.28%		87.38%		77.21%

** Monthly Average of 3 months data considered for Overseas Banking Subsidiaries.

** Daily Average of 3 months data considered for Domestic Banking Subsidiaries.

The Group has been maintaining HQLA mainly in the form of SLR investments over and above the mandatory requirements. Retail deposits constitute major portion of total funding sources, and such funding sources are well diversified. Management is of the view that the Bank has sufficient liquidity cover to meet its likely future short term requirements.

19. Fraud Reported and provision made during the year:

Out of the total frauds of ₹ 2,424.74 crore (837 cases) reported during the year an amount of ₹ 2,360.37 crore (278 cases) represents advances declared as frauds.

With an additional provision of ₹ 302.05 crore during the year the frauds have been fully provided for.

20. Inter Office Accounts

Inter Office Accounts between branches, controlling offices, local head offices and corporate centre establishments are being reconciled on an ongoing basis and no material effect is expected on the profit and loss account of the current year.

21. Sale of Assets to Reconstruction Companies

Shortfall on account of sale of assets to reconstruction companies during the year amounting to ₹ 48.59 crore (Previous Year ₹ 461.39 crore) and also unamortised amount as at March 31, 2016 amounting to ₹ 1,131.01 crore has been fully amortised in the current year.

22. Counter Cyclical Provisioning Buffer (CCPB)

RBI vide Circular No. DBR.No.BP.BC.79/21.04.048/2014-15 dated March 30, 2015 on ‘Utilisation of Floating Provisions/Counter Cyclical Provisioning Buffer’ has allowed the banks, to utilise up to 50 per cent of CCPB held by them as on December 31, 2014, for making specific provisions for Non-Performing Assets (NPAs) as per the policy approved by the Bank’s Board of Directors. During the year, the Bank has not utilized the CCPB for making specific provision for NPAs.

23. Food Credit

In accordance with RBI instruction, the Bank has made a provision of 7.5% amounting to ₹ 856 crore (Previous Year ₹ 543.50 crore) against outstanding in the long term food credit advance to a State Government.

24. Revaluation of Bank's Properties:

a) During the year, the Bank has revalued immovable properties based on the reports obtained from the external independent valuers. The revaluation surplus was credited to revaluation reserve, and the closing balance as at March, 31, 2017 (net of amount transferred to General Reserve) is ₹ 31,585.65 crore.

b) In terms of RBI circular No.DBR No.BP.BC.83/21.06.201/2015-16 dated 01.03.2016 on Basel III capital regulations, the revaluation reserves have been reckoned as CET I Capital at a discount of 55%.

25. Acquisition of Banking subsidiaries & Bharatiya Mahila Bank Limited

The Government of India (GOI) has accorded sanction under sub-section (2) of section 35 of the State Bank of India Act, 1955, for acquisition of the five domestic Banking subsidiaries of State Bank of India (SBI) namely, State Bank of Bikaner & Jaipur (SBBJ), State Bank of Mysore (SBM), State Bank of Travancore (SBT), State Bank of Patiala (SBP), State Bank of Hyderabad (SBH) and for acquisition of Bharatiya Mahila Bank Limited (BMBL) (hereinafter collectively referred to as Transferor Banks) vide their orders dated February 22, 2017 and March 20, 2017. As per the GOI orders, these schemes for acquisition shall come into effect on April 1, 2017 (hereafter referred to as the effective date).

The undertakings of the Transferor Banks which shall be deemed to include all business, assets, liabilities, reserves and surplus, present or contingent and all other rights and interest arising out of such property as were immediately before the effective date in the ownership, possession or power of the Transferor Banks shall be transferred to and will vest in SBI on and from the effective date.

Necessary accounting adjustments in this regard will be made on the effective date.

26. Previous year figures have been regrouped/reclassified, wherever necessary, to confirm to current year classification. In cases where disclosures have been made for the first time in terms of RBI guidelines / Accounting Standards, previous year's figures have not been mentioned.

INDEPENDENT AUDITOR'S REPORT

To,
The Board of Directors,
State Bank of India,
Corporate Centre,
State Bank Bhavan, Mumbai

Report on the Consolidated Financial Statements

1. We have audited the accompanying Consolidated Financial Statements of State Bank of India (the "Bank") and its Subsidiaries, Joint Ventures and Associates (the "Group") The entities of the Group whose Financial Statements are included in the Consolidated Financial Statements are listed in Schedule 18 - Notes to Accounts - which forms part of the Consolidated Financial Statements of the Group which comprise the Consolidated Balance Sheet as at March 31, 2016, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

2. The Management of State Bank of India is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the requirements of the Accounting Standard 21 — "Consolidated Financial Statements", Accounting Standard 23 — "Accounting for Investment in Associates in Consolidated Financial Statements" and Accounting Standard 27 — " Financial Reporting of Interest in Joint Ventures" issued by the Institute of Chartered Accountants of India, the requirements of Reserve Bank of India, the State Bank of India Act, 1955 and other accounting principles generally accepted in India. This responsibility of the management of State Bank of India includes the design, implementation and maintenance of internal controls and risk management systems relevant to the preparation and presentation of the consolidated financial statements of the SBI Group that give a true and fair view and are free from material misstatement, whether due to fraud or error. We are informed that the management of the individual entities of the group have implemented such internal controls and risk management systems that are relevant to the preparation of the financial statements and the designed procedures that are appropriate in the circumstances so that the internal controls with regard to all the activities of the SBI Group are effective. These statements have been prepared on the basis of separate financial statements and other financial information of the entities of the Group, relevant for consolidation.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation of

consolidated financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the management of the entities of the Group, as well as evaluating the overall presentation of the consolidated financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, and based on our consideration of the reports of other auditors on separate financial statements and the other financial information of Subsidiaries, Joint Ventures and Associates, the unaudited financial statements and the other financial information of a subsidiary and certain associates as furnished by the Management, the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2016;

   (b) in the case of the Consolidated Profit and Loss Account, of the consolidated profit of the Group for the year ended on that date; and

   (c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

Emphasis of Matter

7. Without qualifying our opinion, we draw attention to schedule 18 of Consolidated Financial Statements : 'Notes to Accounts' regarding:

   (a) Note no. 6: non-amortization of Rs. 2,281 crores on account of loss on sale of assets to Reconstruction Companies.

   (b) Note no. 7: utilization of Counter Cyclical Buffer of Rs. 1,171 crores during the year.

   Our opinion is not qualified in respect of the above stated matters.

Other Matters

8. Incorporated in these consolidated financial statements are the:

   (a) Audited accounts of the Bank audited by 14 (fourteen) Joint Auditors including us which reflect total assets of Rs.22,59,063 crores as at March 31, 2016, total revenue of Rs.191,843 crores, and net cash inflows amounting to Rs.12,711crores for the year then ended;

   (b) Audited accounts of 29 (twenty nine) Subsidiaries, 8 (eight) Joint Ventures and 12 (twelve) Associates audited by other auditors whose financial statements reflects the Group's share in total assets of Rs. 7,26,950 Crores as at March 31, 2016, the Group's share in total revenue of Rs. 83,228 Crores, the Group's share in net cash inflows amounting to Rs. 3,499 Crores, and the Group's share in profit from associates of Rs. 177 Crores for the year then ended;

(c) Unaudited accounts of 1 (one) Subsidiary and 8 (eight) Associates whose financial statements reflect total assets of Rs. 4,114 Crores as at March 31, 2016, total revenue of Rs.146 Crores, net cash inflows amounting to Rs. 49 Crores and the Group's share in profit from associates of Rs. 78 Crores for the year then ended.

These financial statements and other financial information have been furnished to us by the management. Our opinion, in so far as it relates to the affairs of such subsidiaries, joint ventures and associates, is based solely on the report of the other auditors and unaudited financial statements referred to above.

9. The auditors of SBI Life Insurance Company, a subsidiary of the Group have reported that the; The actuarial valuation of liabilities for life policies in force is the responsibility of the Company's Appointed Actuary (the "Appointed Actuary"). The actuarial valuation of these liabilities for life policies in force and for policies in respect of which the premium has been discontinued but liability exists as at 31 March 2016 has been duly certified by the Appointed Actuary and in his opinion, the assumptions for such valuation are in accordance with the guidelines and norms issued by the Insurance Regulatory and Development Authority of India ("IRDAI / "Authority"") and the Institute of Actuaries of India in concurrence with the Authority. We have relied upon the Appointed Actuary's certificate in this regard for forming our opinion on the valuation of liabilities for life policies in force and for policies in respect of which premium has been discontinued but liability exists on standalone financial statements of the Company.

   Our opinion is not qualified in respect of these matters.

10. The consolidated financial statements of the Bank for the year ended 31 March 2015 were audited by another auditor who expressed an unmodified opinion on those statements vide their report dated May 22nd, 2015.

For VARMA & VARMA
Chartered Accountants
FRN 004532S

Cherian K Baby
Partner
M No. 016043

Place: Kolkata
Date: May 27, 2016

(CONSOLIDATED) BALANCE SHEET
AS ON MARCH 31, 2016 AND 2015

(000s omitted)

	Schedule No.	As on 31.3.2016	As on 31.3.2015
		Rs.	Rs.
CAPITAL AND LIABILITIES			
Capital	1	7,762,777	7,465,731
Reserves & Surplus	2	1,798,160,885	1,606,409,697
Minority Interest		62,674,044	54,971,175
Deposits	3	22,538,575,644	20,529,607,888
Borrowings	4	2,582,143,905	2,446,634,671
Other Liabilities and Provisions	5	2,719,659,164	2,356,011,084
TOTAL		**29,708,976,419**	**27,001,100,246**

	Schedule No.	As on 31.3.2016	As on 31.3.2015
		Rs.	Rs.
ASSETS			
Cash and Balances with Reserve Bank of India	6	1,604,245,691	1,442,875,467
Balances with banks and money at call and short notice	7	437,348,964	441,935,013
Investments	8	7,051,890,767	6,735,074,844
Advances	9	18,702,608,928	16,922,113,341
Fixed Assets	10	152,556,828	123,792,952
Other Assets	11	1,760,325,241	1,335,308,629
TOTAL		29,708,976,419	27,001,100,246
Contingent Liabilities	12	11,842,013,424	11,903,386,909
Bills for Collection		1,066,116,761	1,059,705,147
Significant Accounting Policies	17		
Notes on Accounts	18		

(CONSOLIDATED) PROFIT AND LOSS ACCOUNT
FOR THE YEARS ENDED MARCH 31, 2016 AND 2015

(000s omitted)

		Schedule No	Year ended 31.3.2016	Year ended 31.3.2015
			Rs.	Rs.
I.	**INCOME**			
	Interest earned	13	2,218,548,437	2,079,743,397
	Other Income	14	510,161,848	493,151,686
	TOTAL		**2,728,710,285**	**2,572,895,083**
II.	**EXPENDITURE**			
	Interest expended	15	1,430,473,565	1,331,786,445
	Operating expenses	16	737,170,684	732,242,422
	Provisions and contingencies		433,633,129	333,692,566
	TOTAL		**2,601,277,378**	**2,397,721,433**
III.	**PROFIT**			
	Net Profit for the year (before adjustment for Share in Profit of Associates and Minority Interest)		127,432,907	175,173,650
	Add: Share in Profit of Associates		2,758,161	3,144,418
	Less: Minority Interest		7,945,118	8,375,076
	Net Profit for the Group		122,245,950	169,942,992
	Balance Brought forward		26,158,762	20,323,715
	TOTAL		**148,404,712**	**190,266,707**
	APPROPRIATIONS			
	Transfer to Statutory Reserves		37,094,337	49,046,353
	Transfer to Other Reserves		53,886,806	83,016,200
	Dividend for the previous year paid during the year (including Tax on Dividend)		80	—
	Interim Dividend			—
	Proposed Dividend		20,183,220	26,481,728
	Tax on Dividend		4,441,940	5,563,664
	Balance carried over to Balance Sheet		32,798,329	26,158,762
	TOTAL		**148,404,712**	**190,266,707**
	Basic earnings per share		Rs. 15.95	Rs. 22.76
	Diluted earnings per share		Rs. 15.95	Rs. 22.76
	Notes on Accounts	18		

(CONSOLIDATED) CASH FLOW STATEMENT
FOR THE YEARS ENDED MARCH 31, 2016 AND 2015

(000s omitted)

		Year ended 31.3.2016	Year ended 31.3.2015
		Rs.	**Rs.**
I.	CASH FLOW FROM OPERATING ACTIVITIES	140,766,783	262,973,731
II.	CASH FLOW FROM INVESTING ACTIVITIES	(36,685,552)	(34,304,051)
III.	CASH FLOW FROM FINANCING ACTIVITIES	43,484,503	(15,532,742)
IV.	CASH FLOW ON ACCOUNT OF EXCHANGE FLUCTUATION	9,218,441	60,095
	NET CHANGE IN CASH AND CASH EQUIVALENTS	156,784,175	213,197,033
V.	CASH AND CASH EQUIVALENTS - OPENING	1,884,810,480	1,671,613,447
VI.	CASH AND CASH EQUIVALENTS - CLOSING	2,041,594,655	1,884,810,480
I.	CASH FLOW FROM OPERATING ACTIVITIES		
	Net Profit before taxes	176,580,916	253,314,977
	ADJUSTMENT FOR:		
	Depreciation on Fixed Assets	22,522,053	15,814,938
	(Profit)/Loss on sale of Fixed Assets (Net)	210,523	512,858
	Provision on NPAs	351,111,868	221,983,058
	Provision on Standard Assets	22,842,168	29,184,770
	Provision for Depreciation on Investments	3,209,640	(6,630,638)
	Provision for investment in Sub./Joint Venture	—	—
	(Profit)/Loss on sale of investments (Net)	(118,566)	—
	(Profit)/Loss on revaluation of investments (Net)	31,446,818	(17,860,564)
	Provision on other assets	—	—
	Other Provisions	2,134,487	5,783,391
	Share in Profit of Associates (Investing Activity)	(2,758,161)	(3,144,418)
	Deferred Revenue Expenditure written off during the year	—	—
	Interest paid on Capital Instruments (Financing Activity)	47,978,672	48,947,092
	Dividend from Associates (Investing activity)	(75,234)	(173,847)
	SUB TOTAL	655,085,184	547,731,617
	Adjustment for:		
	Increase/(Decrease) in Deposits	2,008,967,756	2,141,084,323
	Increase/(Decrease) in Borrowings other than Capital Instruments	74,125,639	197,615,751
	(Increase)/Decrease in Investments other than Investment in Subsidiary and Associates	(349,590,982)	(913,440,330)
	(Increase)/Decrease in Advances	(2,131,607,455)	(1,361,329,539)
	Increase/(Decrease) in Other Liabilities & Provisions	371,870,171	459,194,132
	(Increase)/Decrease in Other Assets	(384,360,012)	(732,708,558)
	Taxes Paid	(94,984,283)	(75,173,665)
	Reduction in FCTR on disposal of investments in non-integral operations	(8,739,235)	—
	NET CASH FROM / (USED IN) OPERATING ACTIVITIES	140,766,783	262,973,731

		Year ended 31.3.2016	Year ended 31.3.2015
		(000s omitted)	
		Rs.	Rs.
II.	Cash flow from Investing activities		
	(Increase)/Decrease in Investments in Subsidiary and Associates	995,330	13,727
	Dividend received from Associates	75,234	173,847
	(Increase)/Decrease in Fixed Assets	(37,756,116)	(34,522,940)
	(Increase)/Decrease in Goodwill on Consolidation	—	31,315
	NET CASH USED IN INVESTING ACTIVITIES	(36,685,552)	(34,304,051)
III.	Cash flow from financing activities		
	Proceeds from issue of equity share capital	53,844,957	—
	Share Application Money pending allotment received	—	29,700,000
	Increase/(Decrease) in Capital Instruments	61,383,595	11,421,825
	Interest on Capital Instruments	(47,978,672)	(48,947,092)
	Dividends paid including tax thereon	(30,586,586)	(12,363,343)
	Dividends tax paid by subsidiaries/joint ventures	(881,660)	(1,223,800)
	Increase/(Decrease) in Minority Interest	7,702,869	5,879,668
	NET CASH FROM / (USED IN) FINANCING ACTIVITIES	43,484,503	(15,532,742)
IV.	CASH FLOW ON ACCOUNT OF EXCHANGE FLUCTUATION		
	Effect of Exchange fluctuation on translation reserve	9,218,441	60,095
V.	CASH AND CASH EQUIVALENTS - OPENING		
	Net increase/(decrease) in cash and cash equivalant to the beginning of the year	1,884,810,480	1,671,613,447
VI.	CASH AND CASH EQUIVALENTS - CLOSING		
	Net increase/(decrease) in cash and cash equivalant at the end of the year	2,041,594,655	1,884,810,480
Components of Cash & Cash Equivalents as at:			
	Cash & Balances with Reserve Bank of India	1,604,245,691	1,442,875,467
	Balances with Banks and Money at Call & Short Notice	437,348,964	441,935,013
	Total	2,041,594,655	1,884,810,480

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED MARCH 31, 2016 AND 2015

SCHEDULE 1 — CAPITAL

(000s omitted)

	As on March 31, 2016	As on March 31, 2015
	Rs.	Rs.
Authorized Capital - 50,000,000,000 of Rs. 1/-* each (Previous Year 50,000,000,000 shares of Rs. 1/- each)	50,000,000	50,000,000
Issued Capital		
7,763,598,072 Equity Shares of Rs. 1/- each (Previous Year 7,466,561,670 Equity Shares of Rs. 1/- each)	7,763,598	7,466,561
Subscribed and Paid-up Capital		
7,762,777,042 Equity Shares of Rs. 1/- each (Previous year 7,465,730,920 Equity Shares of Rs. 1/- each (includes 144,593,240 Equity Shares of Rs. 1/- each (Previous Year 160,431,560 Equity Shares of Rs. 1/- each) represented by 14,459,324 (Previous Year 16,043,156) Global Depository Receipts)**	7,762,777	7,465,731
Perpetual Non-Cumulative Preference Share (PNCPS)		—
TOTAL.	**7,762,777**	**7,465,731**

* The face value of the equity shares of the Bank was reduced from Rs. 10 per share by resolution dated September 24, 2014, with effect from November 22, 2014 (record date: November 21, 2014).

** Global Depository Receipts / Equity Share ratio was changed from 1:2 to 1:10 with effect from November 24, 2014.

SCHEDULE 2 — RESERVES & SURPLUS

(000s omitted)

		As on 31.3.2016		As on 31.3.2015	
		Rs.	Rs.	Rs.	Rs.
I.	**Statutory Reserves**				
	Opening Balance	577,897,297		528,850,944	
	Additions during the year	37,094,337		49,046,353	
	Deductions during the year	—	614,991,634	—	577,897,297
II.	**Capital Reserves #**				
	Opening Balance	28,160,026		25,004,895	
	Additions during the year	5,382,031		3,155,131	
	Deductions during the year	109	33,541,948	—	28,160,026
III.	**Share Premium**				
	Opening Balance	414,446,860		414,446,860	
	Additions during the year	83,334,499		—	
	Deductions during the year	86,588	497,694,771	—	414,446,860
IV.	**Revaluation Reserve**				
	Opening Balance	—		0	
	Additions during the year	13,740,337		0	
	Deductions during the year	—	13,740,337	0	0
V.	**Forex Translation Reserve**				
	Opening Balance	67,657,093		67,596,999	
	Additions during the year	9,379,719		982,478	
	Deductions during the year	8,900,513	68,136,299	922,384	67,657,093
VI.	**Revenue and Other Reserves**				
	Opening Balance	492,089,659		410,016,217	
	Additions during the year##	48,853,661		82,282,870	
	Deductions during the year	3,685,753	537,257,567	209,428	492,089,659
VII.	**Balance in Profit and Loss Account**		32,798,329		26,158,762
TOTAL			1,798,160,885		1,606,409,697

includes Capital Reserve on consolidation Rs. 2,428,339 thousand (Previous Year Rs. 2,374,980 thousand)

net of consolidation adjustments

SCHEDULE 3 — DEPOSITS

				As on 31.3.2016	As on 31.3.2015
				(000s omitted)	
				Rs.	Rs.
A.	I.	Demand Deposits			
		(i)	From Banks	67,408,818	72,470,357
		(ii)	From Others	1,639,389,129	1,458,183,610
	II.	Savings Bank Deposits		7,449,087,455	6,564,903,945
	III.	Term Deposits			
		(i)	From Banks	90,822,840	118,528,026
		(ii)	From Others	13,291,867,402	12,315,521,950
	TOTAL			**22,538,575,644**	**20,529,607,888**
B.	(i)	Deposits of Branches in India		21,439,720,039	19,489,180,467
	(ii)	Deposits of Branches outside India		1,098,855,605	1,040,427,421

SCHEDULE 4 — BORROWINGS

			As on 31.3.2016	As on 31.3.2015
			(000s omitted)	
			Rs.	Rs.
I.	**Borrowings in India**			
	(i)	Reserve Bank of India	33,917,900	57,987,500
	(ii)	Other Banks	36,867,687	35,793,947
	(iii)	Other Institutions and Agencies	105,475,098	187,614,507
	(iv)	Innovative Perpetual Debt Instruments (IPDI)	38,497,260	38,900,000
	(v)	Subordinated Debts & Bonds	538,736,380	479,298,120
	(vi)	Redeemable Cumulative Preference Shares		—
II.	**Borrowings outside India**			
	(i)	Borrowing and Refinance outside India	1,786,614,805	1,607,353,897
	(ii)	Innovative Perpetual Debt Instruments (IPDI)	41,409,375	39,062,500
	(iii)	Subordinated Debts & Bonds	625,400	624,200
	TOTAL (I and II)		**2,582,143,905**	**2,446,634,671**
Secured Borrowings included in I & II above			**135,914,733**	**135,957,997**

SCHEDULE 5 — OTHER LIABILITIES & PROVISIONS

		As on 31.3.2016	As on 31.3.2015
		(000s omitted)	
		Rs.	Rs.
I.	Bills payable	233,357,269	249,046,085
II.	Inter Bank Adjustments (Net)	2,379,252	3,213,021
III.	Inter-Office adjustments (Net)	374,194,502	397,706,275
IV.	Interest accrued	298,330,428	255,632,050
V.	Deferred Tax Liabilities (Net)	29,308,861	26,672,218
VI.	Liabilities relating to Policyholders in Insurance Business	786,682,579	700,981,158
VII.	Others (including provisions)	995,406,273	722,760,277
	TOTAL	**2,719,659,164**	**2,356,011,084**

SCHEDULE 6 — CASH AND BALANCES WITH RESERVE BANK OF INDIA

		As on 31.3.2016	As on 31.3.2015
		(000s omitted)	
		Rs.	Rs.
I.	Cash in hand (including foreign currency notes and gold)	177,870,259	177,536,355
II.	Balances with Reserve Bank of India		
	(i) In Current Account	1,426,375,432	1,265,339,112
	(ii) In Other Accounts	—	—
	TOTAL	**1,604,245,691**	**1,442,875,467**

SCHEDULE 7 — BALANCES WITH BANKS & MONEY AT CALL & SHORT NOTICE

		As on 31.3.2016	As on 31.3.2015
		(000s omitted)	
		Rs.	Rs.
I.	**In India**		
	(i) Balances with banks		
	(a) In Current Account	2,880,140	2,478,187
	(b) In Other Deposit Accounts	21,706,423	22,442,290
	(ii) Money at call and short notice		
	(a) With banks	37,222,944	37,992,366
	(b) With Other Institutions	379,735	—
	TOTAL	**62,189,242**	**62,912,843**
II.	**Outside India**		
	(i) In Current Account	269,118,769	223,554,600
	(ii) In Other Deposit Accounts	15,714,656	26,312,359
	(iii) Money at call and short notice	90,326,297	129,155,211
	TOTAL	**375,159,722**	**379,022,170**
	GRAND TOTAL (I and II)	**437,348,964**	**441,935,013**

SCHEDULE 8 — INVESTMENTS

			As on 31.3.2016	**As on 31.3.2015**
			Rs.	**Rs.**
I.		Investments in India in		
	(i)	Government Securities	5,322,902,422	5,175,542,064
	(ii)	Other Approved Securities	37,598,059	35,161,323
	(iii)	Shares	235,060,844	274,604,125
	(iv)	Debentures and Bonds	613,879,223	496,269,814
	(v)	Associates	24,560,815	22,830,214
	(vi)	Others (Units, etc.)	415,256,815	419,546,696
	TOTAL		**6,649,258,178**	**6,423,954,236**
II.		Investments outside India in		
	(i)	Government Securities (including local authorities)	122,918,627	79,375,343
	(ii)	Associates	912,616	761,820
	(iii)	Other Investments (Shares, Debentures, etc.)	278,801,346	230,983,445
	TOTAL		**402,632,589**	**311,120,608**
	GRAND TOTAL (I and II)		7,051,890,767	6,735,074,844
III.		Investments in India in		
	(i)	Gross Value of Investments	6,661,167,204	6,428,578,824
	(ii)	Aggregate of Provisions / Depreciation	11,909,026	4,624,588
	(iii)	Net Investments (vide I above)	6,649,258,178	6,423,954,236
IV.		Investments outside India in		
	(i)	Gross Value of Investments	403,608,374	314,482,149
	(ii)	Aggregate of Provisions / Depreciation	975,785	3,361,541
	(iii)	Net Investments (vide II above)	402,632,589	311,120,608
	GRAND TOTAL (III and IV)		**7,051,890,767**	**6,735,074,844**

(000s omitted)

SCHEDULE 9 — ADVANCES

(000s omitted)

			As on 31.3.2016	**As on 31.3.2015**
			Rs.	**Rs.**
A.	(I)	Bills purchased and discounted	1,059,043,341	1,087,535,427
	(ii)	Cash Credits Overdrafts and Loans repayable on demand	7,681,390,240	7,151,704,586
	(iii)	Term loans	9,962,175,347	8,682,873,328
	TOTAL		**18,702,608,928**	**16,922,113,341**
B.	(I)	Secured by tangible assets (includes advances against Book Debts)	14,494,641,129	13,384,152,490
	(ii)	Covered by Bank / Government Guarantees	654,072,851	549,873,500
	(iii)	Unsecured	3,553,894,948	2,988,087,351
	TOTAL		**18,702,608,928**	**16,922,113,341**
C.	(I)	Advances in India		
		(i) Priority Sector	4,750,380,097	4,257,143,330
		(ii) Public Sector	1,631,260,225	1,211,960,953
		(iii) Banks	25,417,587	12,631,782
		(iv) Others	9,526,333,109	8,998,951,892
	TOTAL		**15,933,391,018**	**14,480,687,957**

	As on 31.3.2016	As on 31.3.2015
	(000s omitted)	
	Rs.	Rs.
(II) Advances outside India		
(i) Due from banks	717,507,287	497,500,171
(ii) Due from others		
(a) Bills purchased and discounted	152,989,544	285,238,679
(b) Syndicated loans	922,394,949	765,032,402
(c) Others	976,326,130	893,654,132
	2,769,217,910	**2,441,425,384**
GRAND TOTAL (C. (I) and) C. (II))	**18,702,608,928**	**16,922,113,341**

SCHEDULE 10 — FIXED ASSETS

(000s omitted)

	As on 31.3.2016		As on 31.3.2015	
	Rs.	Rs.	Rs.	Rs.
I. Premises				
At cost as on 31st March of the preceding year	46,721,665		43,235,156	
Additions during the year	18,353,627		3,551,236	
Deductions during the year	23,936		64,727	
Depreciation to date	6,723,188	58,328,168	5,720,106	41,001,559
II. Other Fixed Assets (including furniture and fixtures)				
At cost as on 31st March of the preceding year	231,923,420		204,739,421	
Additions during the year	30,567,625		37,042,788	
Deductions during the year	5,022,624		9,858,789	
Depreciation to date	171,259,543	86,208,878	153,321,654	78,601,766
III. Leased Assets				
At cost as on 31st March of the preceding year	3,298,342		3,435,590	
Additions during the year	20,922		117,244	
Deductions during the year	2,094,098		254,492	
Depreciation to date including provisions	1,015,299		3,064,856	
	209,867		233,486	
Less: Lease adjustment and provisions	47,045	162,822	47,045	186,441
IV. Assets under Construction		7,856,960		4,003,186
TOTAL		**152,556,828**		**123,792,952**

SCHEDULE 11 — OTHER ASSETS

		As on 31.3.2016	As on 31.3.2015
		(000s omitted)	
		Rs.	Rs.
I.	Inter-Office adjustments (net)	27,001,271	26,250,407
II.	Interest accrued	214,284,787	209,489,259
III.	Tax paid in advance/tax deducted at source	156,973,141	117,908,906
IV.	Stationery and stamps	1,404,846	1,375,142
V.	Non-banking assets acquired in satisfaction of claims	522,086	241,735
VI.	Deferred tax asset (net)	11,616,636	9,494,997
VII.	Deposits placed with NABARD/SIDBI/NHB etc. for meeting shortfall in priority sector lending	600,471,638	422,897,898
VIII.	Others #	748,050,836	547,650,285
TOTAL		**1,760,325,241**	**1,335,308,629**

\# Includes Goodwill on consolidation Rs. 9,452,186 thousand (Previous year Rs. 9,452,186 thousand)

SCHEDULE 12 — CONTINGENT LIABILITIES

		As on 31.3.2016	As on 31.3.2015
		(000s omitted)	
		Rs.	Rs.
i.	Claims against the bank not acknowledged as debts	160,607,990	169,676,859
ii.	Liability for partly paid investments	1,578,411	4,645,792
iii.	Liability on account of outstanding forward exchange contracts	6,558,999,645	6,952,172,845
iv.	Guarantees given on behalf of constituents		
	(a) In India	1,645,155,751	1,510,588,239
	(b) Outside India	880,842,047	675,897,746
v.	Acceptances, endorsements and other obligations	1,311,602,360	1,259,130,337
vi.	Other items for which the banks are contingently liable	1,283,227,220	1,331,275,091
TOTAL		**11,842,013,424**	**11,903,386,909**
Bills for collection		**1,066,116,761**	**1,059,705,147**

SCHEDULE 13 — INTEREST EARNED

		Year ended 31.3.2016	Year ended 31.3.2015
		(000s omitted)	
		Rs.	Rs.
I.	Interest/discount on advances/bills	1,570,017,481	1,531,445,900
II.	Income on investments	579,227,237	510,020,199
III.	Interest on balances with Reserve Bank of India and other inter-bank funds	11,868,031	11,599,396
IV.	Others	57,435,688	26,677,902
Total		**2,218,548,437**	**2,079,743,397**

SCHEDULE 14 — OTHER INCOME

		Year ended 31.3.2016	Year ended 31.3.2015
		(000s omitted)	
		Rs.	Rs.
I.	Commission, exchange and brokerage	176,624,676	158,417,518
II.	Profit / (Loss) on sale of investments (Net)	81,166,773	96,719,541
III.	Profit / (Loss) on revaluation of investments (Net)	(31,446,818)	17,860,564
IV.	Profit / (Loss) on sale of land, buildings and other assets including leased assets (Net)	(210,523)	(512,858)
V.	Profit / (Loss) on exchange transactions (Net)	25,393,779	23,857,818
VI.	Dividends from Associates in India/abroad	75,234	173,847
VII.	Income from financial Lease	—	505
VIII.	Credit card membership/service fees	9,810,893	7,508,067
IX.	Insurance Premium Income (Net)	166,368,772	136,287,349
X.	Miscellaneous income	82,379,062	52,839,335
Total		**510,161,848**	**493,151,686**

SCHEDULE 15 — INTEREST EXPENDED

		Year ended 31.3.2016	Year ended 31.3.2015
		(000s omitted)	
		Rs.	Rs.
I.	Interest on deposits	1,324,020,461	1,215,883,803
II.	Interest on Reserve Bank of India/Inter-bank borrowings	48,938,334	52,185,800
III.	Others	57,514,770	63,716,842
TOTAL		**1,430,473,565**	**1,331,786,445**

SCHEDULE 16 — OPERATING EXPENSES

(000s omitted)

		Year ended 31.3.2016	Year ended 31.3.2015
		Rs.	Rs.
I.	Payments to and provisions for employees	325,255,982	3,111,761,367
II.	Rent, taxes and lighting	49,397,870	45,066,755
III.	Printing and stationery	5,116,180	5,100,933
IV.	Advertisement and publicity	6,096,764	7,968,712
V.	Depreciation on Leased Assets	40,574	51,840
VI.	Depreciation on Fixed Assets (Other than Leased Assets)	22,481,479	15,763,098
VII.	Directors' fees, allowances and expenses	77,133	55,920
VIII.	Auditors' fees and expenses (including branch auditors' fees & expenses)	2,854,065	2,629,123
IX.	Law charges	3,621,406	3,222,926
X.	Postages, Telegrams, Telephones, etc.	8,129,181	8,549,857
XI.	Repairs and maintenance	7,970,639	7,304,595
XII.	Insurance	22,285,682	20,800,262
XIII.	Amortization of deferred revenue expenditure	—	—
XIV.	Operating Expenses relating to Credit Card operations	11,632,481	5,512,123
XV.	Operating Expenses relating to Insurance Business	179,301,927	219,724,810
XVI.	Other expenditure	92,909,321	79,315,331
TOTAL		**737,170,684**	**732,242,422**

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (CONSOLIDATED) FOR THE YEAR ENDED MARCH 31, 2016

SCHEDULE 17-SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PREPARATION:

The accompanying financial statements have been prepared under the historical cost convention, on the accrual basis of accounting on going concern basis, unless otherwise stated and conform in all material aspects to Generally Accepted Accounting Principles (GAAP) in India, which comprise applicable statutory provisions, regulatory norms/guidelines prescribed by the Reserve Bank of India (RBI), Banking Regulation Act, 1949, Insurance Regulatory and Development Authority (IRDA), Pension Fund Regulatory and Development Authority (PFRDA), SEBI (Mutual Funds) Regulations, 1996, Companies Act 2013, Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI), and the prevalent accounting practices in India. In case of foreign entities, Generally Accepted Accounting Principles as applicable to the foreign entities are followed.

B. USE OF ESTIMATES:

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as on the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

C. BASIS OF CONSOLIDATION:

1. Consolidated financial statements of the Group **(comprising of 30 subsidiaries, 8 Joint Ventures and 20 Associates)** have been prepared on the basis of:

    a. Audited accounts of State Bank of India (Parent).

    b. Line by line aggregation of each item of asset/liability/income/expense of the subsidiaries with the respective item of the Parent, and after eliminating all material intra-group balances/transactions, unrealised profit/loss, and making necessary adjustments wherever required for non-uniform accounting policies as per AS 21 "Consolidated Financial Statements" issued by the ICAI.

    c. Consolidation of Joint Ventures — 'Proportionate Consolidation' as per AS 27 "Financial Reporting of Interests in Joint Ventures" issued by the ICAI.

    d. Accounting for investment in 'Associates' under the 'Equity Method' as per AS 23 "Accounting for Investments in Associates in Consolidated Financial Statements" issued by the ICAI.

    e. In terms of RBI circular on "Strategic Debt Restructuring Scheme", the controlling interest acquired in entities as part of Strategic Debt Restructuring Scheme is neither considered for consolidation nor such investment is treated as investments in subsidiary/associate as the control is protective in nature and not participative.

2. The difference between cost to the group of its investment in the subsidiary entities and the group's portion of the equity of the subsidiaries is recognised in the financial statements as goodwill/capital reserve.

3. Minority interest in the net assets of the consolidated subsidiaries consists of:

   a. The amount of equity attributable to the minority at the date on which investment in a subsidiary is made, and

   b. The minority share of movements in revenue reserves/loss (equity) since the date the parent-subsidiary relationship came into existence.

D. SIGNIFICANT ACCOUNTING POLICIES

1. Revenue recognition:

1.1 Income and expenditure are accounted on accrual basis, except otherwise stated. As regards, foreign offices/entities, income and expenditure are recognised as per the local laws of the country in which the respective foreign offices/entities are located.

1.2 Interest income is recognised in the Profit and Loss Account as it accrues except (i) income from Non-Performing Assets (NPAs), comprising of advances, leases and investments, which is recognised upon realisation, as per the prudential norms prescribed by the RBI/ respective country regulators in the case of foreign offices/entities (hereafter collectively referred to as Regulatory Authorities), (ii) overdue interest on investments and bills discounted, (iii) Income on Rupee Derivatives designated as "Trading", which are accounted on realisation.

1.3 Profit or Loss on sale of investments is recognised in the Profit and Loss Account. However, an amount equal to the profit on sale of investments in the 'Held to Maturity' category is appropriated (net of applicable taxes and amount required to be transferred to statutory reserve) to 'Capital Reserve Account'.

1.4 Income from finance leases is calculated by applying the interest rate implicit in the lease to the net investment outstanding in the lease, over the primary lease period. Leases effective from April 1, 2001 are accounted as advances at an amount equal to the net investment in the lease as per Accounting Standard 19 — Leases, issued by ICAI. The lease rentals are apportioned between principal and finance income based on a pattern reflecting a constant periodic return on the net investment outstanding in respect of finance leases. The principal amount is utilized for reduction in balance of net investment in lease and finance income is reported as interest income.

1.5 Income (other than interest) on investments in "Held to Maturity" (HTM) category acquired at a discount to the face value, is recognised as follows:

   i. On Interest bearing securities, it is recognised only at the time of sale/redemption.

   ii. On zero-coupon securities, it is accounted for over the balance tenor of the security on a constant yield basis.

1.6 Dividend is accounted on an accrual basis where the right to receive the dividend is established.

1.7 All other commission and fee incomes are recognised on their realisation except for (i) Guarantee commission on deferred payment guarantees, which is spread over the period of the guarantee; (ii) Commission on Government Business and ATM interchange fees, which are recognised as they accrue; and (iii) Upfront fees on restructured accounts, which is apportioned over the restructured period.

1.8 One time Insurance Premium paid under Special Home Loan Scheme (December 2008 to June 2009) is amortised over average loan period of 15 years.

1.9 Brokerage, Commission etc. paid/incurred in connection with issue of Bonds/Deposits are amortized over the tenure of the related Bonds/Deposits and the expenses incurred in connection with the issue are charged upfront.

1.10 The sale of NPA is accounted as per guidelines prescribed by RBI:-

i. When the bank sells its financial assets to Securitisation Company (SC)/ Reconstruction Company (RC), the same is removed from the books.

ii. If the sale is at a price below the net book value (NBV) (i.e., book value less provisions held), the shortfall is debited to the Profit and Loss Account over a period of 8 quarters equally beginning from the quarter in which the sale was effected .

iii. If the sale is for a value higher than the NBV, the excess provision is written back in the year the amounts are received, as permitted by the RBI.

1.11 Non-banking entities:

Merchant Banking:

a. Issue management and advisory fees are recognised as per the terms of the agreement with the client, net of pass-through.

b. Fees for private placement are recognised on completion of assignment.

c. Brokerage income in relation to stock broking activity is recognized on the trade date of transaction and includes stamp duty, transaction charges and is net of scheme incentives paid.

d. Commission relating to public issues is accounted for on finalisation of allotment of the public issue/receipt of information from intermediary.

e. Brokerage income relating to public issues/mutual fund/other securities is accounted for based on mobilisation and intimation received from clients/intermediaries.

f. Depository income — Annual Maintenance Charges are recognised on accrual basis and transaction charges are recognised on trade date of transaction.

Asset Management:

a. Management fee is recognised at specific rates agreed with the relevant schemes, applied on the average daily net assets of each scheme (excluding inter-scheme investments, wherever applicable, investments made by the company in the respective scheme and deposits with Banks), and are in conformity with the limits specified under SEBI (Mutual Funds) Regulations, 1996.

b. Portfolio Advisory Services and Portfolio Management Services income is recognised on accrual basis as per the terms of the contract.

c. Recovery, if any, on realisation of devolved investments of schemes acquired by the company, in terms of the right of subrogation, is accounted on the basis of receipts. Recovery from funded guarantee schemes is recognised as income in the year of receipt.

d. Expenses of schemes in excess of the stipulated rates and expenses relating to new fund offer are charged to the Profit and Loss Account in the year in which they are incurred in accordance with the requirements of SEBI (Mutual Funds) Regulations, 1996.

e. Brokerage and/or incentive paid on investments in open-ended Equity Linked Tax Saving Schemes and Systematic Investment Plans (SIPs) are amortised over a period of 36 months and in case of other schemes, over the claw back period. In case of close-ended schemes, brokerage is amortised over the tenure of schemes.

Credit Card Operations:

a. Joining membership fee confers only joining rights and not any other right/privilege and therefore same is recognised on accrual basis.

b. Interchange income is recognised on accrual basis.

c. The total unidentified receipts which could not be credited or adjusted in the customers' accounts for lack of complete & correct information is considered as liability in balance sheet. The estimated unidentified receipts aged more than 6 months and up to 3 years towards the written off customers is written back as income on balance sheet date. Further, the unresolved unidentified receipts aged more than 3 years are also written back as income on balance sheet date. The liability for stale cheques aged for more than three years is written back as income.

d. All other service income/fees are recorded at the time of occurrence of the respective events.

Factoring:

Factoring charges are accrued on factoring of debts at the applicable rates as decided by the company. Processing fees are recognised as income only when there is reasonable certainty of its receipt after execution of documents. Facility Continuation fees (FCF) are calculated and charged in the month of May for the entire next financial year on all live standard accounts. 1st of May is deemed as date for accrual of the FCF.

Life Insurance:

a. Premium of non-linked business is recognised as income (net of service tax) when due from policyholders. In respect of linked business, premium income is recognised when the associated units are allotted. In case of Variable Insurance Products (VIPs), premium income is recognised on the date when the Policy Account Value is credited. Uncollected premium from lapsed policies is not recognised as income until such policies are revived.

b. Top-up premiums are considered as single premium.

c. Income from linked funds which includes fund management charges, policy administration charges, mortality charges, etc. are recovered from linked fund in accordance with terms and conditions of policy and recognised when recovered.

d. Premium ceded on reinsurance is accounted in accordance with the terms of the re-insurance treaty or in-principle arrangement with the re-insurer.

e. Benefits paid:

   ➢ Claims cost consist of the policy benefit amounts and claims settlement costs, where applicable.

- ➢ Claims by death and rider are accounted when intimated. Intimations up to the end of the period are considered for accounting of such claims.

- ➢ Claims by maturity are accounted on the policy maturity date.

- ➢ Survival and Annuity benefits claims are accounted when due.

- ➢ Surrenders are accounted as and when intimated. Benefits paid also includes amount payable on lapsed policies which are accounted for as and when due. Surrenders and lapsation are disclosed at net of charges recoverable.

- ➢ Repudiated claims disputed before judicial authorities are provided for based on management prudence considering the facts and evidences available in respect of such claims.

- ➢ Amounts recoverable from re-insurers are accounted for in the same period as the related claims and are reduced from claims.

f. Acquisition costs such as commission, medical fees, etc. are costs that are primarily related to the acquisition of new and renewal insurance contracts and are expensed as and when incurred.

g. **Liability for life policies:** The actuarial liability of all the life insurance policies has been calculated by the Appointed Actuary in accordance with the Insurance Act 1938, and as per the rules and regulations and circulars issued by IRDA and the relevant Guidance Notes and/or Actuarial Practice Standards (APS) issued by the Institute of Actuaries of India.

Non-linked business is reserved using a prospective gross premium valuation method. Mathematical reserves are calculated based on future assumptions having regard to current and future experience. The unit liability in respect of linked business has been taken as the value of the units standing to the credit of the policy holders, using the Net Asset Value (NAV) as on the valuation date. The variable insurance policies (VIPs) have also been valued in a manner similar to the ULIP business by considering liability as the policy account standing to the credit of the policy holders plus additional provisions for adequacy of charges to meet expenses.

General Insurance:

a. Premium is recorded in the books at the commencement of risk. In case the premium is recovered in instalments, amount to the extent of instalment due is recorded on the due date of the instalment. Premium (net of service tax), including reinstatement premium, on direct business and reinsurance accepted, is recognized as income over the contract period or the period of risk, whichever is appropriate, on a gross basis under 1/365 method. Any subsequent revision to premium is recognized over the remaining period of risk or contract period. Adjustments to premium income arising on cancellation of policies are recognised in the period in which they are cancelled.

b. Commission received on reinsurance ceded is recognised as income in the period in which reinsurance risk is ceded. Profit commission under re-insurance treaties, wherever applicable, is recognized as income in the year of final determination of the profits as intimated by Reinsurer and combined with commission on reinsurance ceded.

c. In respect of proportional reinsurance ceded, the cost of reinsurance ceded is accrued at the commencement of risk. Non-proportional reinsurance cost is recognized when due. Non-proportional reinsurance cost is accounted as per the terms of the reinsurance arrangements. Any subsequent revision to, refunds or cancellations of premiums is recognized in the period in which they occur.

d. Reinsurance inward acceptances are accounted for on the basis of returns, to the extent received, from the insurers.

e. Acquisition costs are expensed in the period in which they are incurred. Acquisition costs are defined as costs that vary with, and are primarily related to the acquisition of new and renewal insurance contracts viz. commission, policy issue expenses etc. The primary test for determination as acquisition cost is the obligatory relationship between the costs and the execution of the insurance contracts (i.e. commencement of risk).

f. Claim is recognized as and when a loss occurrence is reported. Provision for claims outstanding payable as on the date of Balance Sheet is net of reinsurance, salvage value and other recoveries as estimated by the management.

g. Provision in respect of claim liabilities that may have been incurred before the end of the accounting year but are

   - not yet reported or claimed (IBNR) or

   - not enough reported i.e. reported with information insufficient for making a reasonable estimate of likely claim amount (IBNER),

   is the amount determined by the Appointed Actuary based on actuarial principles in accordance with the Actuarial Practice Standards and Guidance Notes issued by the Institute of Actuaries of India and IRDA regulations and guidelines.

Custody & Fund accounting services:

The revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured.

Pension Fund Operation:

Management fee is recognized at specific rates agreed with the relevant schemes, applied on daily net assets of each scheme, and is in conformity with the regulatory guidelines issued by Pension Fund Regulatory and Development Authority (PFRDA). The Company presents revenues net of Service Tax.

Trustee Operations:

Mutual Fund Trusteeship fee is recognised at specific rates agreed with relevant schemes, applied on the daily Net Assets of each scheme (excluding inter-scheme investment, investment in fixed deposits, investments made by the Asset Management Company and deferred revenue expenses, wherever applicable), and is in conformity with the limits specified under SEBI (Mutual Funds) Regulations, 1996.

Corporate Trusteeship Acceptance fees are recognised on the acceptance or execution of trusteeship assignment whichever is earlier. Corporate Trusteeship service charges are recognised/accrued on the basis of terms of trusteeship contracts/agreements entered into with clients.

2. **Investments:**

The transactions in Government Securities are recorded on "Settlement Date". Investments other than Government Securities are recorded on "Trade Date".

2.1 **Classification:**

Investments are classified into three categories, viz. Held to Maturity (HTM), Available for Sale (AFS) and Held for Trading (HFT) as per RBI Guidelines.

2.2 **Basis of classification:**

i. Investments that the Bank intends to hold till maturity are classified as "Held to Maturity (HTM)".

ii. Investments that are held principally for resale within 90 days from the date of purchase are classified as "Held for Trading (HFT)".

iii. Investments, which are not classified in the above two categories, are classified as "Available for Sale (AFS)".

iv. An investment is classified as HTM, HFT or AFS at the time of its purchase and subsequent shifting amongst categories is done in conformity with regulatory guidelines.

2.3 **Valuation:**

A. **Banking Business:**

i. In determining the acquisition cost of an investment:

a. Brokerage/commission received on subscriptions is reduced from the cost.

b. Brokerage, commission, securities transaction tax, etc. paid in connection with acquisition of investments are expensed upfront and excluded from cost.

c. Broken period interest paid/received on debt instruments is treated as interest expense/income and is excluded from cost/sale consideration.

d. Cost of investment under AFS and HFT category is determined at the weighted average cost method by the group entities and cost of investments under HTM category is determined on FIFO basis (first in first out) by SBI and weighted average cost method by other group entities.

ii. Transfer of securities from HFT/AFS category to HTM category is carried out at the lower of acquisition cost/book value/market value on the date of transfer. The depreciation, if any, on such transfer is fully provided for. However, transfer of securities from HTM category to AFS category is carried out on acquisition price/book value. After transfer, these securities are immediately revalued and resultant depreciation, if any, is provided.

iii. Treasury Bills and Commercial Papers are valued at **carrying cost**.

iv. **Held to Maturity category:** Investments under Held to Maturity category are carried at acquisition cost unless it is more than the face value, in which case the premium is amortised over the period of remaining maturity on constant yield basis. Such amortisation of premium is adjusted against income under the head "interest on investments". A provision is made for diminution, other than temporary, for each investment individually. Investments in Regional Rural Banks (RRBs) are valued at equity cost determined in accordance with AS 23 of the ICAI.

v. **Available for Sale and Held for Trading categories:** Investments held under AFS and HFT categories are individually revalued at the market price or fair value **determined as per Regulatory guidelines,** and only the net depreciation of each group for each category (viz., (i) Government securities (ii) Other Approved Securities (iii) Shares (iv) Bonds and Debentures (v) Subsidiaries and Joint Ventures; and (vi) others) is provided for and net appreciation, is ignored. On provision for depreciation, the book value of the individual security remains unchanged after marking to market.

vi. In case of sale of NPA (financial asset) to Securitisation Company (SC)/Asset Reconstruction Company (ARC) against issue of Security Receipts (SR), investment in SR is recognised at lower of (i) Net Book Value (NBV) (i.e., book value less provisions held) of the financial asset and (ii) Redemption value of SR. SRs issued by an SC/ARC are valued in accordance with the guidelines applicable to non-SLR instruments. Accordingly, in cases where the SRs issued by the SC/ARC are limited to the actual realisation of the financial assets assigned to the instruments in the concerned scheme, the Net Asset Value, obtained from the SC/ARC, is reckoned for valuation of such investments.

vii. Investments are classified as performing and non-performing, based on the guidelines issued by the RBI in the case of domestic offices/entities and respective regulators in the case of foreign offices/entities. Investments of domestic offices become non-performing where:

a. Interest/instalment (including maturity proceeds) is due and remains unpaid for more than 90 days.

b. In the case of equity shares, in the event the investment in the shares of any company is valued at Re. 1 per company on account of the non availability of the latest balance sheet, those equity shares would be reckoned as NPI.

c. If any credit facility availed by an entity is NPA in the books of the bank, investment in any of the securities issued by the same entity would also be treated as NPI and vice versa.

d. The above would apply mutatis-mutandis to Preference Shares where the fixed dividend is not paid.

e. The investments in debentures/bonds, which are deemed to be in the nature of advance, are also subjected to NPI norms as applicable to investments.

f. In respect of foreign offices/entities, provisions for NPIs are made as per the local regulations or as per the norms of RBI, whichever is more stringent.

viii. Accounting for Repo/Reverse Repo transactions (other than transactions under the Liquidity Adjustment Facility (LAF) with the RBI)

a. The securities sold and purchased under Repo/Reverse Repo are accounted as Collateralized lending and borrowing transactions. However securities are transferred as in the case of normal outright sale/purchase transactions and such movement of securities is reflected using the Repo/Reverse Repo Accounts and

Contra entries. The above entries are reversed on the date of maturity. Costs and revenues are accounted as interest expenditure/income, as the case may be. Balance in Repo A/c is classified under schedule 4 (Borrowings) and balance in Reverse Repo A/c is classified under schedule 7 (Balance with Banks and Money at Call & Short Notice).

b. Securities purchased/sold under LAF with RBI are debited/credited to Investment Account and reversed on maturity of the transaction. Interest expended/earned thereon is accounted for as expenditure/revenue.

B. Insurance Business:

In case of life and general insurance subsidiaries, investments are made in accordance with the Insurance Act, 1938, the IRDA (Investment) Regulations, 2000, as amended by circulars or notifications issued by IRDA from time to time.

(i) Valuation of investment pertaining to non-linked life insurance business and general insurance business:-

➢ All debt securities, including government securities are stated at historical cost, subject to amortisation of premium or accretion of discount.

➢ Listed equity securities are measured at fair value on the Balance Sheet date. For the purpose of determining fair value, the closing price at primary exchange i.e. National Stock Exchange of India Limited (‘NSE’) is considered. If NSE price is not available on a particular valuation day, the closing price of the secondary exchange i.e. BSE Limited (‘BSE’) is considered.

➢ In case of Security Lending and Borrowing (SLB), equity shares lent are valued as per valuation policy for equity shares as mentioned above.

➢ Unlisted equity securities are measured at historical cost.

➢ Investments in mutual fund units are valued at the Net Asset Value (NAV) of previous day in life insurance and of balance sheet date in general insurance.

➢ Investment in Alternative Investment Funds (AIFs) are valued at latest available NAV.

Unrealized gains or losses arising due to change in the fair value of listed equity shares, mutual fund units and AIFs pertaining to shareholders’ investments and non-linked policyholders investments are taken to “Revenue & Other Reserves (Schedule 2)” and “Liabilities relating to Policyholders in Insurance Business (Schedule 5)” respectively, in the Balance Sheet.

(ii) Valuation of investment pertaining to linked business:-

➢ Debt Securities including Government securities with remaining maturity of more than one year are valued at prices obtained from Credit Rating Information Services of India Limited (‘CRISIL’). Debt securities including Government securities with remaining maturity of less than one year are valued on yield to maturity basis, where yield is derived using market price provided by CRISIL on the day when security is classified as short term. If security is purchased during its short term tenor, it is valued at amortised cost using yield to maturity method. In case of securities with options, earliest Call Option/Put Option date will be taken as maturity date for this purpose. Money market securities are valued at historical cost subject to amortization of premium or accretion of discount on yield to maturity basis. Unrealised gains or losses arising on such valuation are recognized in the Profit & Loss Account.

- ➢ Listed equity securities are measured at fair value on the Balance Sheet date. For the purpose of determining fair value, the closing price at primary exchange i.e. NSE is considered. If NSE price is not available on a particular valuation day, closing price of the secondary exchange i.e. BSE is considered.

- ➢ In case of Security Lending and Borrowing (SLB), equity shares lent are valued as per valuation policy for equity shares as mentioned above.

- ➢ Investments in mutual fund units are valued at the previous day's Net Asset Value (NAV).

- ➢ Unlisted equity securities are measured at historical cost.

- ➢ Unrealized gains or losses arising due to changes in the fair value of equity securities and mutual fund units are recognized in the Profit & Loss Account.

3. Loans/Advances and Provisions thereon:

3.1 Loans and Advances are classified as performing and non-performing, based on the guidelines/directives issued by the RBI. Loan Assets become Non-Performing Assets (NPAs) where:

i. In respect of term loans, interest and/or instalment of principal remains overdue for a period of more than 90 days;

ii. In respect of Overdraft or Cash Credit advances, the account remains "out of order", i.e. if the outstanding balance exceeds the sanctioned limit/drawing power continuously for a period of 90 days, or if there are no credits continuously for 90 days as on the date of balance-sheet, or if the credits are not adequate to cover the interest due during the same period;

iii. In respect of bills purchased/discounted, the bill remains overdue for a period of more than 90 days;

iv. In respect of agricultural advances (a) for short duration crops, where the instalment of principal or interest remains overdue for two crop seasons; and (b) for long duration crops, where the principal or interest remains overdue for one crop season.

3.2 NPAs are classified into Sub-Standard, Doubtful and Loss Assets, based on the following criteria stipulated by RBI:

i. Sub-standard: A loan asset that has remained non-performing for a period less than or equal to 12 months.

ii. Doubtful: A loan asset that has remained in the sub-standard category for a period of 12 months.

iii. Loss: A loan asset where loss has been identified but the amount has not been fully written off.

3.3 Provisions are made for NPAs as per the extant guidelines prescribed by the regulatory authorities, subject to minimum provisions as prescribed below:

Substandard Assets:	i.	A general provision of 15% on the total outstanding;
	ii.	Additional provision of 10% for exposures which are unsecured ab-initio (i.e. where realisable value of security is not more than 10 percent ab-initio);
	iii.	Unsecured Exposure in respect of infrastructure advances where certain safeguards such as escrow accounts are available - 20%.
Doubtful Assets:		
-Secured portion:	i.	Upto one year - 25%
	ii.	One to three years - 40%
	iii.	More than three years - 100%
-Unsecured portion	100%	
Loss Assets:	100%	

3.4 In respect of foreign offices/entities, the classification of loans and advances and provisions for NPAs are made as per the local regulations or as per the norms of RBI, whichever is more stringent.

3.5 Advances are net of specific loan loss provisions, unrealised interest, ECGC claims received and bills rediscounted.

3.6 For restructured/rescheduled assets, provisions are made in accordance with the guidelines issued by the RBI, which require that the difference between the fair value of the loan/advances before and after restructuring is provided for, in addition to provision for the respective loans/advances. The Provision for Diminution in Fair Value (DFV) and interest sacrifice, if any, arising out of the above, is reduced from advances.

3.7 In the case of loan accounts classified as NPAs, an account may be reclassified as a performing asset if it conforms to the guidelines prescribed by the regulators.

3.8 Amounts recovered against debts written off in earlier years are recognised as revenue in the year of recovery.

3.9 In addition to the specific provision on NPAs, general provisions are also made for standard assets as per extant RBI Guidelines. These provisions are reflected in Schedule 5 of the Balance Sheet under the head "Other Liabilities & Provisions — Others" and are not considered for arriving at the Net NPAs.

4. Floating Provisions:

The Bank has a policy for creation and utilisation of floating provisions separately for advances, investments and general purposes. The quantum of floating provisions to be created is assessed at the end of the financial year. The floating provisions are utilised only for contingencies under extra ordinary circumstances specified in the policy with prior permission of Reserve Bank of India.

5. Provision for Country Exposure for Banking Entities:

In addition to the specific provisions held according to the asset classification status, provisions are also made for individual country exposures (other than the home country). Countries are categorised into seven risk categories, namely, insignificant, low, moderate, high, very high, restricted and off-credit and provisioning made as per extant RBI guidelines. If the country exposure (net) of the Bank in respect of each country does not exceed 1% of the total funded assets, no provision is maintained on such country exposures. The provision is reflected in Schedule 5 of the Balance Sheet under the “Other liabilities & Provisions — Others”.

6. Derivatives:

6.1 The Bank enters into derivative contracts, such as foreign currency options, interest rate swaps, currency swaps, and cross currency interest rate swaps and forward rate agreements in order to hedge on-balance sheet/off-balance sheet assets and liabilities or for trading purposes. The swap contracts entered to hedge on-balance sheet assets and liabilities are structured in such a way that they bear an opposite and offsetting impact with the underlying on-balance sheet items. The impact of such derivative instruments is correlated with the movement of the underlying assets and accounted in accordance with the principles of hedge accounting.

6.2 Derivative contracts classified as hedge are recorded on accrual basis. Hedge contracts are not marked to market unless the underlying Assets/Liabilities are also marked to market.

6.3 Except as mentioned above, all other derivative contracts are marked to market as per the Generally Accepted Accounting Practices prevalent in the industry. In respect of derivative contracts that are marked to market, changes in the market value are recognised in the Profit and Loss Account in the period of change. Any receivable under derivatives contracts, which remain overdue for more than 90 days, are reversed through Profit and Loss Account to “Suspense Account - Crystallised Receivables”. In cases where the derivative contracts provide for more settlement in future and if the derivative contract is not terminated on the overdue receivables remaining unpaid for 90 days, the positive MTM pertaining to future receivables is also reversed from Profit and Loss Account to “Suspense Account - Positive MTM”.

6.4 Option premium paid or received is recorded in Profit and Loss Account at the expiry of the option. The balance in the premium received on options sold and premium paid on options bought is considered to arrive at Mark to Market value for forex Over the Counter (OTC) options.

6.5 Exchange Traded Derivatives entered into for trading purposes are valued at prevailing market rates based on rates given by the Exchange and the resultant gains and losses are recognized in the Profit and Loss Account.

7. Fixed Assets Depreciation and Amortisation:

7.1 Fixed Assets are stated at historical cost except in the case of assets which have been revalued. The accumulated depreciation/amortisation is reduced from the cost/revalued amount. The appreciation on revaluation (if any) is credited to Revaluation Reserve.

7.2 Cost includes cost of purchase and all expenditure such as site preparation, installation costs and professional fees incurred on the asset before it is put to use. Subsequent expenditure/s incurred on the assets put to use are capitalised only when it increases the future benefits from such assets or their functioning capability.

7.3 The rates of depreciation and method of charging depreciation in respect of domestic operations are as under:

Sr. No.	Description of Fixed Assets	Method of charging depreciation	Depreciation/ amortisation rate
1	Computers	Straight Line Method	33.33% every year
2	Computer Software forming an integral part of the Computer hardware	Straight Line Method	33.33% every year
3	Computer Software which does not form an integral part of Computer hardware and cost of Software Development	Straight Line Method	33.33% every year
4	Automated Teller Machine/Cash Deposit Machine/Coin Dispenser/ Coin Vending Machine	Straight Line Method	20.00% every year
5	Servers	Straight Line Method	25.00% every year
6	Network Equipment	Straight Line Method	20.00% every year
7	Other fixed assets	Straight Line Method	On the basis of estimated useful life of the assets
		Estimated useful life of major group of Fixed Assets are as under:	
		Premises	60 Years
		Vehicles	5 Years
		Safe Deposit Lockers	20 Years
		Furniture & Fixtures	10 Years

7.4 In respect of assets acquired during the year for domestic operations, depreciation is charged on proportionate basis for the number of days assets have been put to use during the year.

7.5 Assets costing less than ₹1,000 each are charged off in the year of purchase.

7.6 In respect of leasehold premises, the lease premium, if any, is amortised over the period of lease and the lease rent is charged in the respective year (s).

7.7 In respect of assets given on lease by the Bank on or before 31st March 2001, the value of the assets given on lease is disclosed as Leased Assets under Fixed Assets, and the difference between the annual lease charge (capital recovery) and the depreciation is taken to Lease Equalisation Account.

7.8 In respect of fixed assets held at foreign offices/entities, depreciation is provided as per the regulations/norms of the respective countries.

8. Leases:

The asset classification and provisioning norms applicable to advances, as laid down in Para 3 above, are applied to financial leases also.

9. Impairment of Assets:

Fixed Assets are reviewed for impairment whenever events or changes in circumstances warrant that the carrying amount of an asset may not be recoverable. Recoverability of other financial assets held and used is measured by a comparison of the carrying amount of an asset to future Net Discounted Cash Flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognised is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

10. **Effect of changes in the foreign exchange rate:**

10.1 Foreign Currency Transactions

i. Foreign currency transactions are recorded on initial recognition in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency on the date of transaction.

ii. Foreign currency monetary items are reported using the Foreign Exchange Dealers Association of India (FEDAI) closing (spot/forward) rates.

iii. Foreign currency non-monetary items, which are carried at historical cost, are reported using the exchange rate on the date of the transaction.

iv. Contingent liabilities denominated in foreign currency are reported using the FEDAI closing spot rates.

v. Outstanding foreign exchange spot and forward contracts held for trading are revalued at the exchange rates notified by FEDAI for specified maturities, and the resulting Profit or Loss is recognised in the Profit and Loss account.

vi. Foreign exchange forward contracts which are not intended for trading and are outstanding on the Balance Sheet date, are re-valued at the closing spot rate. The premium or discount arising at the inception of such a forward exchange contract is amortised as expense or income over the life of the contract.

vii. Exchange differences arising on the settlement of monetary items at rates different from those at which they were initially recorded are recognised as income or as expense in the period in which they arise.

viii. Gains/Losses on account of changes in exchange rates of open position in currency futures trades are settled with the exchange clearing house on daily basis and such gains/losses are recognised in the Profit and Loss Account.

10.2 Foreign Operations:

Foreign Branches/Subsidiaries/Joint Ventures of the Bank and Offshore Banking Units (OBU) have been classified as Non-integral Operations and Representative Offices have been classified as Integral Operations.

a. Non-integral Operations:

i. Both monetary and non-monetary foreign currency assets and liabilities including contingent liabilities of non-integral foreign operations are translated at closing exchange rates notified by FEDAI at the Balance Sheet date.

ii. Income and expenditure of non-integral foreign operations are translated at quarterly average closing rates notified by FEDAI.

iii. Exchange differences arising on investment in non-integral foreign operations are accumulated in Foreign Currency Translation Reserve until the disposal of the investment.

iv. The Assets and Liabilities of foreign offices/subsidiaries /joint ventures in foreign currency (other than local currency of the foreign offices/subsidiaries/ joint ventures) are translated into local currency using spot rates applicable to that country on the Balance Sheet date.

b. Integral Operations:

i. Foreign currency transactions are recorded on initial recognition in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency on the date of transaction.

ii. Monetary foreign currency assets and liabilities of integral foreign operations are translated at closing (Spot/Forward) exchange rates notified by FEDAI at the Balance Sheet date and the resulting Profit/Loss is included in the Profit and Loss Account. Contingent Liabilities are translated at Spot rate.

iii. Foreign currency non-monetary items which are carried at historical cost are reported using the exchange rate on the date of the transaction.

11. Employee Benefits:

11.1 Short Term Employee Benefits:

The undiscounted amounts of short-term employee benefits, such as medical benefits, which are expected to be paid in exchange for the services rendered by employees are recognised during the period when the employee renders the service.

11.2 Long Term Employee Benefits:

i. Defined Benefit Plan

a. The Bank operates a Provident Fund scheme. All eligible employees are entitled to receive benefits under the Provident Fund scheme. The Bank contributes monthly at a determined rate (currently 10% of employee's basic pay plus eligible allowance). These contributions are remitted to a Trust established for this purpose and are charged to Profit and Loss Account. The Bank recognizes such annual contributions as an expense in the year to which it relates, Shortfall, if any, is provided for on the basis of actuarial valuation.

b. The group entities operate separate Gratuity and Pension schemes, which are defined benefit plans.

c. The group entities provide for gratuity to all eligible employees. The benefit is in the form of lump sum payments to vested employees on retirement or on death while in employment, or on termination of employment, for an amount equivalent to 15 days basic salary payable for each completed year of service, subject to a maximum amount of ₹10 Lacs. Vesting occurs upon completion of five years of service. The Bank makes periodic contributions to a fund administered by Trustees based on an independent external actuarial valuation carried out annually.

d. Some group entities provide for pension to all eligible employees. The benefit is in the form of monthly payments as per rules to vested employees on retirement or, on death while in employment, or on termination of employment. Vesting occurs at different stages as per rules. The entities make contributions to funds administered by trustees based on an independent external actuarial valuation carried out annually.

e. The cost of providing defined benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains/losses are immediately recognised in the Profit and Loss and are not deferred.

ii. **Defined Contribution Plans:**

The Bank operates a New Pension Scheme (NPS) for all officers/ employees joining the Bank on or after 1st August, 2010, which is a defined contribution plan, such new joinees not being entitled to become members of the existing SBI Pension Scheme. As per the scheme, the covered employees contribute 10% of their basic pay plus dearness allowance to the scheme together with a matching contribution from the Bank. Pending completion of registration procedures of the employees concerned, these contributions are retained as deposits in the Bank and earn interest at the same rate as that of the current account of Provident Fund balance. The Bank recognizes such annual contributions and interest as an expense in the year to which they relate. Upon receipt of the Permanent Retirement Account Number (PRAN), the consolidated contribution amounts are transferred to the NPS Trust.

iii. **Other Long Term Employee benefits:**

a. All eligible employees of the Group are eligible for compensated absences, silver jubilee award, leave travel concession, retirement award and resettlement allowance. The costs of such long term employee benefits are internally funded by the group entities.

b. The cost of providing other long term benefits is determined using the projected unit credit method with actuarial valuations being carried out at each Balance Sheet date. Past service cost is immediately recognised in the Profit and Loss and is not deferred.

11.3 Employee benefits relating to employees employed at foreign offices/entities are valued and accounted for as per the respective local laws/regulations.

12. Taxes on income

Income tax expense is the aggregate amount of current tax, deferred tax and fringe benefit tax expense incurred by the Group. The current tax expense and deferred tax expense are determined in accordance with the provisions of the Income Tax Act, 1961 and as per Accounting Standard 22 — Accounting for Taxes on Income respectively after taking into account taxes paid at the foreign offices/entities, which are based on the tax laws of respective jurisdiction. Deferred Tax adjustments comprises of changes in the deferred tax assets or liabilities during the year. Deferred tax assets and liabilities are recognised by considering the impact of timing differences between taxable income and accounting income for the current year, and carry forward losses.

Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. The impact of changes in deferred tax assets and liabilities is recognised in the profit and loss account. Deferred tax assets are recognised and re-assessed at each reporting date, based upon management's judgement as to whether their realisation is considered as reasonably certain. Deferred Tax Assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future profits.

In Consolidated Financial Statement, income tax expenses are the aggregate of the amounts of tax expense appearing in the separate financial statements of the parent and its subsidiaries/joint ventures, as per their applicable laws.

13. Earnings per Share:

13.1 The Bank reports basic and diluted earnings per share in accordance with AS 20 -'Earnings per Share' issued by the ICAI. Basic Earnings per Share are computed by dividing the Net Profit after Tax for the year attributable to equity shareholders (other than minority) by the weighted average number of equity shares outstanding for the year.

13.2 Diluted Earnings per Share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted Earnings per Share are computed using the weighted average number of equity shares and dilutive potential equity shares outstanding at year end.

14. Provisions, Contingent Liabilities and Contingent Assets:

14.1 In conformity with AS 29, "Provisions, Contingent Liabilities and Contingent Assets", issued by the Institute of Chartered Accountants of India, the Bank recognises provisions only when it has a present obligation as a result of a past event and would result in a probable outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made.

14.2 No provision is recognised for

i. any possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group entities ; or

ii. any present obligation that arises from past events but is not recognised because

a. it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

b. a reliable estimate of the amount of obligation cannot be made.

Such obligations are recorded as Contingent Liabilities. These are assessed at regular intervals and only that part of the obligation for which an outflow of resources embodying economic benefits is probable, is provided for, except in the extremely rare circumstances where no reliable estimate can be made.

14.3 Provision for reward points in relation to the debit card holders of the Bank is being provided for on actuarial estimates.

14.4 Contingent Assets are not recognised in the financial statements.

15. Bullion Transactions:

The Bank imports bullion including precious metal bars on a consignment basis for selling to its customers. The imports are typically on a back-to-back basis and are priced to the customer based on price quoted by the supplier. The Bank earns a fee on such bullion transactions. The fee is classified under commission income. The Bank also accepts deposits and lends gold, which is treated as deposits/advances as the case may be with the interest paid/received classified as interest expense/income. Gold Deposits, Metal Loan Advances and closing Gold Balances are valued at available Market Rate as on the date of Balance Sheet

16. Special Reserves:

Revenue and other Reserve include Special Reserve created under Section 36(i)(viii) of the Income Tax Act, 1961. The Board of Directors have passed a resolution approving creation of the Reserve and confirming that it has no intention to make withdrawal from the Special Reserve.

17. Share Issue Expenses:

Share issue expenses are charged to the Share Premium Account.

SCHEDULE 18

NOTES TO ACCOUNTS:

1. List of Subsidiaries/Joint Ventures/Associates considered for preparation of consolidated financial statements:

1.1 The 30 Subsidiaries, 8 Joint Ventures and 20 Associates including 18 Regional Rural Banks (which along with State Bank of India, the parent, constitute the Group), considered in the preparation of the consolidated financial statements, are

A) Subsidiaries:

S. No.	Name of the Subsidiary	Country of incorporation	Group's Stake (%) Current Year	Group's Stake (%) Previous Year
1)	State Bank of Bikaner and Jaipur	India	75.07	75.07
2)	State Bank of Hyderabad	India	100.00	100.00
3)	State Bank of Mysore	India	90.00	90.00
4)	State Bank of Patiala	India	100.00	100.00
5)	State Bank of Travancore	India	79.09	78.91
6)	SBI Capital Markets Ltd.	India	100.00	100.00
7)	SBICAP Securities Ltd.	India	100.00	100.00
8)	SBICAP Trustee Company Ltd.	India	100.00	100.00
9)	SBICAP Ventures Ltd.	India	100.00	100.00
10)	SBI DFHI Ltd.	India	71.58	71.58
11)	SBI Mutual Fund Trustee Company Pvt Ltd.	India	100.00	100.00
12)	SBI Global Factors Ltd.	India	86.18	86.18
13)	SBI Pension Funds Pvt Ltd.	India	92.60	92.60
14)	SBI—SG Global Securities Services Pvt. Ltd. @	India	65.00	65.00
15)	SBI General Insurance Company Ltd. @	India	74.00	74.00
16)	SBI Payment Services Pvt. Ltd.	India	100.00	100.00
17)	SBI Canada Bank	Canada	100.00	100.00
18)	State Bank of India (California)	USA	100.00	100.00
19)	SBI (Mauritius) Ltd.	Mauritius	96.60	96.60
20)	PT Bank SBI Indonesia	Indonesia	99.00	99.00
21)	Bank SBI Botswana Limited	Botswana	100.00	100.00
22)	State Bank of India Servicos Limitada	Brazil	100.00	—
23)	SBICAP (UK) Ltd.	U.K.	100.00	100.00
24)	SBI Cards and Payment Services Pvt. Ltd. @	India	60.00	60.00
25)	SBI Funds Management Pvt. Ltd. @	India	63.00	63.00
26)	SBI Life Insurance Company Ltd. @	India	74.00	74.00
27)	Commercial Indo Bank Llc , Moscow @	Russia	60.00	60.00
28)	Nepal SBI Bank Ltd.	Nepal	55.10	55.10
29)	SBI Funds Management (International) Private Ltd. @	Mauritius	63.00	63.00
30)	SBICAP (Singapore) Ltd.	Singapore	100.00	100.00

@ Represents companies which are jointly controlled entities in terms of the shareholders' agreement. However, the same are consolidated as subsidiaries in accordance with AS 21 "Consolidated Financial Statements" as SBI's holding in these companies exceeds 50%.

B) Joint Ventures:

S. No.	Name of the Joint Venture	Country of Incorporation	Group's Stake (%)	
			Current Year	Previous Year
1)	C - Edge Technologies Ltd.	India	49.00	49.00
2)	GE Capital Business Process Management Services Pvt Ltd.	India	40.00	40.00
3)	SBI Macquarie Infrastructure Management Pvt. Ltd.	India	45.00	45.00
4)	SBI Macquarie Infrastructure Trustee Pvt. Ltd.	India	45.00	45.00
5)	Macquarie SBI Infrastructure Management Pte. Ltd.	Singapore	45.00	45.00
6)	Macquarie SBI Infrastructure Trustee Ltd.	Bermuda	45.00	45.00
7)	Oman India Joint Investment Fund — Management Company Pvt. Ltd.	India	50.00	50.00
8)	Oman India Joint Investment Fund — Trustee Company Pvt. Ltd.	India	50.00	50.00

C) Associates:

S. No.	Name of the Associate	Country of Incorporation	Group's Stake (%)	
			Current Year	Previous Year
1)	Andhra Pradesh Grameena Vikas Bank	India	35.00	35.00
2)	Arunachal Pradesh Rural Bank	India	35.00	35.00
3)	Chhattisgarh Rajya Gramin Bank	India	35.00	35.00
4)	Ellaquai Dehati Bank	India	35.00	35.00
5)	Meghalaya Rural Bank	India	35.00	35.00
6)	Langpi Dehangi Rural Bank	India	35.00	35.00
7)	Madhyanchal Gramin Bank	India	35.00	35.00
8)	Mizoram Rural Bank	India	35.00	35.00
9)	Nagaland Rural Bank	India	35.00	35.00
10)	Purvanchal Bank	India	35.00	35.00
11)	Utkal Grameen Bank	India	35.00	35.00
12)	Uttarakhand Gramin Bank	India	35.00	35.00
13)	Vananchal Gramin Bank	India	35.00	35.00
14)	Saurashtra Gramin Bank	India	35.00	35.00
15)	Rajasthan Marudhara Gramin Bank	India	26.27	26.27
16)	Telangana Grameena Bank	India	35.00	35.00
17)	Kaveri Grameena Bank	India	31.50	31.50
18)	Malwa Gramin Bank	India	35.00	35.00
19)	The Clearing Corporation of India Ltd.	India	24.42	29.22
20)	Bank of Bhutan Ltd.	Bhutan	20.00	20.00

a. In the month of April 2015, State Bank of Travancore, a Domestic Banking Subsidiary (DBS) of SBI has allotted 94,81,518 equity shares to SBI of worth ₹379.26 crores having face value of ₹10 each at a premium of ₹390 per share under Right Issue and the stake of SBI has increased from 78.91% to 79.09%.

b. In the month of March 2016, SBI has sold its 4.80% stake in The Clearing Corporation of India Ltd. (an associate of SBI) after which SBI's stake reduced from 26.00% to 21.20% and group's stake reduced from 29.22% to 24.42%.

c. The name of "State Bank of India (Botswana) Limited" a Foreign Banking Subsidiary (FBS) of SBI has been changed to "Bank SBI Botswana Limited" w. e .f. July 1, 2015.

d. The name of “State Bank of India (Canada)” a Foreign Banking Subsidiary (FBS) of SBI has been changed to “SBI Canada Bank” w. e .f. March 1, 2016.

e. State Bank of India Servicos Limitada, a Foreign Subsidiary of SBI, has started its operations during the financial year 2015-16, thus included in Consolidated Financial Statements.

f. SBI Foundation, (a Not-for-Profit Company) was incorporated under Sec. 7(2) of the Companies Act 2013, as a subsidiary of SBI on June 26, 2015, to focus on the CSR activities of the Group. As it is a Not-for-Profit Company, SBI Foundation is not considered for consolidation in preparation of Consolidated Financials of the Group. SBI has infused ₹1 crore as capital in the month of August 2015 against 10,00,000 shares having face value of ₹10 each.

g. SBI Home Finance Ltd., an associate in which SBI is having 25.05% stake, is under liquidation, thus not considered in Consolidated Financial Statements.

1.2 The consolidated financial statements for the financial year 2015-16 of the Group includes unaudited financial statements of one subsidiary (SBI Canada Bank) and 8 associates (Bank of Bhutan Ltd. and 7 Regional Rural Banks), the results of which are not material.

2. Share capital:

2.1 During the year, SBI received application money of ₹5,393.00 crores (Previous Year ₹2,970.00 crores), including share premium of ₹5,373.34 crores (Previous Year ₹2,959.95 crores) from Government of India against preferential issue of 19,65,59,390 (Previous Year 10,04,77,012) equity shares of ₹1 each to Government of India. The equity shares were allotted on September 29, 2015.

2.2 SBI received application money of ₹2,970.00 crores including share premium of ₹2,959.95 crores from Government of India against preferential issue of 10,04,77,012 equity shares of ₹1 each to Government of India on March 31, 2015. The equity shares were allotted on April 1, 2015.

2.3 9,720 Equity Shares of ₹1 each that had been issued as a part of the Right Issue - 2008 but allotment of which was kept in abeyance, were allotted on July 16, 2015 and amount of ₹9,720.00 credited to Share Capital Account and ₹15,35,760.00 credited to Share Premium Account. Balance of such shares issued and kept in abeyance is 8,21,030 (Previous Year 8,30,750) of ₹1 each, since they are subject to title disputes or are subjudice.

2.4 Expenses in relation to the issue of shares ₹8.66 crores (Previous Year ₹Nil) is debited to Share Premium Account.

3. Disclosures as per Accounting Standards

3.1 Employee Benefits:

3.1.1 Defined Benefit Plans

3.1.1.1 Employee's Pension Plans and Gratuity Plans

The following table sets out the status of the Defined Benefit Pension Plans and Gratuity Plan as required under AS 15 (Revised 2005):-

₹ in crores

Particulars	Pension Plans		Gratuity Plans	
	Current Year	Previous Year	Current Year	Previous Year
Change in the present value of the defined benefit obligation				
Opening defined benefit obligation at 1st April 2015	**64,529.56**	**56,863.05**	**9,543.10**	**9,176.98**
Current Service Cost	1,360.54	1,561.91	256.26	219.45
Interest Cost	5,276.63	5,070.61	778.43	833.14
Past Service Cost (Vested Benefit)	Nil	Nil	0.03	(0.02)
Actuarial losses /(gains)	6,909.53	5,083.47	652.16	529.94
Benefits paid	(2,665.72)	(2,146.26)	(1,331.74)	(1,216.39)
Direct Payment by SBI	(2,246.16)	(1,903.22)	Nil	Nil
Closing defined benefit obligation at 31st March 2016	**73,164.38**	**64,529.56**	**9,898.24**	**9,543.10**
Change in Plan Assets				
Opening fair value of plan assets at 1st April 2015	**61,886.14**	**53,143.82**	**9,362.94**	**9,206.33**
Expected Return on Plan assets	5,341.46	4,719.23	798.31	794.11
Contributions by employer	2,322.17	3,731.53	383.63	471.60
Benefits Paid	(2,665.72)	(2,146.26)	(1,331.74)	(1,216.39)
Actuarial Gains/(Losses) on plan assets	(70.08)	2,437.82	36.58	107.29
Closing fair value of plan assets at 31st March 2016	**66,813.97**	**61,886.14**	**9,249.72**	**9,362.94**
Reconciliation of present value of the obligation and fair value of the plan assets				
Present Value of funded obligation at 31st March 2016	73,164.38	64,529.56	9,898.24	9,543.10
Fair Value of plan assets at 31st March 2016	66,813.97	61,886.14	9,249.72	9,362.94
Deficit/(Surplus)	6,350.41	2,643.42	648.52	180.16
Unrecognised Past Service Cost (Vested) Closing Balance	Nil	Nil	Nil	Nil
Net Liability/(Asset)	**6,350.41**	**2,643.42**	**648.52**	**180.16**
Amount Recognised in the Balance Sheet				
Liabilities	73,164.38	64,529.56	9,898.24	9,543.10
Assets	66,813.97	61,886.14	9,249.72	9,362.94
Net Liability/(Asset) recognised in Balance Sheet	6,350.41	2,643.42	648.52	180.16
Unrecognised Past Service Cost (Vested) Closing Balance	Nil	Nil	Nil	Nil
Net Liability/(Asset)	**6,350.41**	**2,643.42**	**648.52**	**180.16**

Particulars	Pension Plans		Gratuity Plans	
	Current Year	Previous Year	Current Year	Previous Year
Net Cost recognised in the profit and loss account				
Current Service Cost	1,360.54	1,561.91	256.26	219.45
Interest Cost	5,276.63	5,070.61	778.43	833.14
Expected return on plan assets	(5,341.46)	(4,719.23)	(798.31)	(794.11)
Past Service Cost (Amortised) Recognised	Nil	187.10	0.03	51.57
Past Service Cost (Vested Benefits) Recognised	Nil	Nil	Nil	Nil
Net Actuarial Losses/(Gains) recognised during the year	6,979.61	2,645.65	615.58	422.65
Total costs of defined benefit plans included in Schedule 16 "Payments to and provisions for employees"	**8,275.32**	**4,746.04**	**851.99**	**732.70**
Reconciliation of expected return and actual return on Plan Assets				
Expected Return on Plan Assets	5,341.46	4,719.23	798.31	794.11
Actuarial Gains/(Losses) on Plan Assets	(70.08)	2,437.82	36.58	107.29
Actual Return on Plan Assets	**5,271.38**	**7,157.05**	**834.89**	**901.40**
Reconciliation of opening and closing net liability/(asset) recognised in Balance Sheet				
Opening Net Liability/(Asset) as at 1st April 2015	**2,643.42**	**3,532.13**	**180.16**	**(80.94)**
Expenses as recognised in profit and loss account	8,275.32	4,746.04	851.99	732.70
Paid by SBI Directly	(2,246.16)	(1,903.22)	Nil	Nil
Employer's Contribution	(2,322.17)	(3,731.53)	(383.63)	(471.60)
Past Service Cost	Nil	Nil	Nil	Nil
Net liability/(Asset) recognised in Balance Sheet	**6,350.41**	**2,643.42**	**648.52**	**180.16**

Investments under Plan Assets of Gratuity Fund & Pension Fund as on March 31, 2016 are as follows:

	Pension Fund	Gratuity Fund
Category of Assets	% of Plan Assets	% of Plan Assets
Central Govt. Securities	31.19%	22.45%
State Govt. Securities	22.30%	14.65%
Debt Securities, Money Market Securities and Bank Deposits	39.79%	29.49%
Insurer Managed Funds	1.21%	28.86%
Others	5.51%	4.55%
Total	**100.00%**	**100.00%**

Principal actuarial assumptions:

Particulars	Pension Plans		Gratuity Plans	
	Current year	Previous year	Current year	Previous year
Discount Rate	8.00% to 8.10%	8.21% to 8.21%	7.86% to 8.10%	8.21% to 8.21%
Expected Rate of return on Plan Asset	8.00% to 9.00%	8.21% to 9.00%	7.86% to 9.00%	8.00% to 9.00%
Salary Escalation	5.00% to 5.00%	5.00% to 5.00%	5.00% to 5.00%	5.00% to 5.00%

The estimates of future salary growth, factored in actuarial valuation, taking account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market. Such estimates are very long term and are not based on limited past experience / immediate future. Empirical evidence also suggests that in the very long term, consistent high salary growth rates are not possible, which has been relied upon by the auditors.

3.1.1.2 Employees Provident Fund

Actuarial valuation carried out in respect of interest shortfall in the Provident Fund Trust of SBI, as per Deterministic Approach shows "Nil" liability, hence no provision is made in F.Y. 2015-16.

The following table sets out the status of Provident Fund as per the actuarial valuation by the independent Actuary appointed by SBI:-

₹ in crores

	Provident Fund	
Particulars	**Current Year**	**Previous Year**
Change in the present value of the defined benefit obligation		
Opening defined benefit obligation at 1st April 2015	22,498.51	21,804.39
Current Service Cost	1,632.22	527.14
Interest Cost	2,026.72	1,869.09
Employee Contribution (including VPF)	1,983.67	661.66
Actuarial losses/(gains)	0.01	—
Benefits paid	(2,981.43)	(2,363.77)
Closing defined benefit obligation at 31st March 2016	25,159.70	22,498.51
Change in Plan Assets		
Opening fair value of Plan Assets as at 1st April 2015	23,197.82	22,366.42
Expected Return on Plan Assets	2,026.72	1,869.09
Contributions	3,615.89	1,188.80
Benefits Paid	(2,981.43)	(2,363.77)
Actuarial Gains/(Loss) on plan Assets	126.32	137.28
Closing fair value of plan assets as at 31st March 2016	25,985.32	23,197.82
Reconciliation of present value of the obligation and fair value of the plan assets		
Present Value of Funded obligation at 31st March 2016	25,159.70	22,498.51
Fair Value of Plan assets at 31st March 2016	25,985.32	23,197.82
Deficit/(Surplus)	(825.62)	(699.31)
Net Asset not recognised in Balance Sheet	825.62	699.31
Net Cost recognised in the profit and loss account		
Current Service Cost	1,632.22	527.14
Interest Cost	2,026.72	1,869.09
Expected return on plan assets	(2,026.72)	(1,869.09)
Interest shortfall reversed	—	—
Total costs of defined benefit plans included in Schedule 16 "Payments to and provisions for employees"	1,632.22	527.14
Reconciliation of opening and closing net liability/(asset) recognised in Balance Sheet		
Opening Net Liability as at 1st April 2015	—	—
Expense as above	1,632.22	527.14
Employer's Contribution	(1,632.22)	(527.14)
Net Liability/(Asset) Recognized In the Balance Sheet	—	—

Investments under Plan Assets of Provident Fund as on March 31, 2016 are as follows:

Category of Assets	Provident Fund % of Plan Assets
Central Govt. Securities	40.36%
State Govt. Securities	20.55%
Debt Securities, Money Market Securities and Bank Deposits	34.15%
Insurer Managed Funds	—
Others	4.94%
Total	**100.00%**

Principal actuarial assumptions

Particulars	Provident Fund	
	Current year	Previous year
Discount Rate	7.86%	8.21%
Guaranteed Return	8.75%	8.75%
Attrition Rate	2.00%	2.00%
Salary Escalation	5.00%	5.00%
Mortality Table	IALM (2006-08) ULTIMATE	IALM (2006-08) ULTIMATE

There is a guaranteed return applicable to liability under SBI Employees Provident Fund. Fund has been crediting the interest at the rate of interest as declared under Employees Provident Fund and Miscellaneous Provisions Act 1952 and hence treated as a defined benefit plan.

3.1.2 Defined Contribution Plans

3.1.2.1 Employees Provident Fund

An amount of ₹36.98 crores (Previous Year ₹33.30 crores) is contributed towards the Provident Fund Scheme by the group (excluding SBI) and is included under the head “Payments to and provisions for employees” in Profit and Loss Account.

3.1.2.2 Defined Contribution Pension Scheme

The Defined Contribution Pension Scheme (DCPS) is applicable to all categories of officers and employees joining the SBI on or after August 01, 2010 and for Domestic Banking Subsidiaries, the scheme is applicable to all categories of officers and employees who join on or after April 01, 2010. The Scheme is managed by NPS Trust under the aegis of the Pension Fund Regulatory and Development Authority. National Securities Depository Limited has been appointed as the Central Record Keeping Agency for the NPS. During the year, an amount of ₹266.32 crores (Previous Year ₹200.10 crores) has been contributed in the scheme.

3.1.3 Other Long term Employee Benefits (Unfunded Obligation)

3.1.3.1 Accumulating Compensated Absences (Privilege Leave)

The following table sets out the status of Accumulating Compensated Absences (Privilege Leave) of SBI as per the actuarial valuation by the independent Actuary:-

₹ in crores

Particulars	Accumulating Compensated Absences (Privilege Leave)	
	Current Year	Previous Year
Change in the present value of the defined benefit obligation		
Opening defined benefit obligation at 1st April 2015	3,756.50	3,079.47
Current Service Cost	230.94	135.55
Interest Cost	308.41	287.62
Actuarial losses/(gains)	590.64	681.86
Benefits paid	(511.00)	(428.00)
Closing defined benefit obligation at 31st March 2016	4,375.49	3,756.50
Net Cost recognised in the profit and loss account		
Current Service Cost	230.94	135.55
Interest Cost	308.41	287.62
Actuarial (Gain)/Losses	590.64	681.86
Total costs of defined benefit plans included in Schedule 16 "Payments to and provisions for employees"	1,129.99	1,105.03
Reconciliation of opening and closing net liability/ (asset) recognised in Balance Sheet		
Opening Net Liability as at 1st April 2015	3,756.50	3,079.47
Expense as above	1,129.99	1,105.03
Employer's Contribution	—	—
Benefit paid directly by the Employer	(511.00)	(428.00)
Net Liability/(Asset) recognized in the Balance Sheet	4,375.49	3,756.50

Principal actuarial assumptions

Particulars	Current year	Previous year
Discount Rate	7.86%	8.21%
Salary Escalation	5.00%	5.00%
Attrition Rate	2.00%	2.00%
Mortality Table	IALM (2006-08) ULTIMATE	IALM (2006-08) ULTIMATE

Accumulating Compensated Absences (Privilege Leave) (excluding SBI)

An amount of ₹167.78 crores (Previous Year ₹124.26 crores) is provided by the group (excluding SBI) towards Privilege Leave (Encashment) including leave encashment at the time of retirement and is included under the head "Payments to and provisions for employees" in Profit and Loss Account.

3.1.3.2 Other Long Term Employee Benefits

Amount of ₹21.35 crores (Previous Year ₹12.55 crores) is provided by the group towards other Long Term Employee Benefits and is included under the head "Payments to and provisions for employees" in Profit and Loss Account.

Details of Provisions made for various Other Long Term Employees' Benefits during the year;

₹ in crores

Sl. No.	Long Term Employees' Benefits	Current Year	Previous Year
1	Leave Travel and Home Travel Concession (Encashment/Availment)	25.85	(21.66)
2	Sick Leave	(1.43)	6.46
3	Silver Jubilee/Long Term Service Award	3.11	11.15
4	Resettlement Expenses on Superannuation	2.74	13.23
5	Casual Leave	Nil	Nil
6	Retirement Award	(8.92)	3.37
	Total	**21.35**	**12.55**

3.1.4 The employee benefits listed above are in respect of the employees of the Group based in India. The employees of the foreign operations are not covered in the above schemes.

3.2 Segment Reporting:

3.2.1 Segment identification

A) Primary (Business Segment)

The following are the Primary Segments of the Group:

- Treasury
- Corporate/Wholesale Banking
- Retail Banking
- Insurance Business
- Other Banking Business

The present accounting and information system of the Bank does not support capturing and extraction of the data in respect of the above segments separately. However, based on the present internal, organisational and management reporting structure and the nature of their risk and returns, the data on the Primary Segments have been computed as under:

a) **Treasury:** The Treasury Segment includes the entire investment portfolio and trading in foreign exchange contracts and derivative contracts. The revenue of the treasury segment primarily consists of fees and gains or losses from trading operations and interest income on the investment portfolio.

b) **Corporate/Wholesale Banking:** The Corporate/Wholesale Banking segment comprises the lending activities of Corporate Accounts Group, Mid Corporate Accounts Group and Stressed Assets Management Group. These include providing loans and transaction services to corporate and institutional clients and further include non treasury operations of foreign offices/entities.

c) **Retail Banking:** The Retail Banking Segment comprises of branches in National Banking Group, which primarily includes Personal Banking activities including lending activities to corporate customers having banking relations with branches in the National Banking Group. This segment also includes agency business and ATMs

d) **Insurance Business:** The Insurance Business Segment comprises of the results of SBI Life Insurance Co. Ltd. and SBI General Insurance Co. Ltd.

e) **Other Banking business:** Segments not classified under (a) to (d) above are classified under this primary segment. This segment also includes the operations of all the Non-Banking Subsidiaries/Joint Ventures other than SBI Life Insurance Co. Ltd. and SBI General Insurance Co. Ltd. of the group.

B) Secondary (Geographical Segment):

a) **Domestic Operations -** Branches, Subsidiaries and Joint Ventures having operations in India.

b) **Foreign Operations -** Branches, Subsidiaries and Joint Ventures having operations outside India and offshore Banking units having operations in India.

C) Pricing of Inter-segmental Transfers

The Retail Banking segment is the primary resource mobilising unit. The Corporate/Wholesale Banking and Treasury segments are recipient of funds from Retail Banking. Market related Funds Transfer Pricing (MRFTP) is followed under which a separate unit called Funding Centre has been created. The Funding Centre notionally buys funds that the business units raise in the form of deposits or borrowings and notionally sell funds to business units engaged in creating assets.

D) Allocation of Revenue, Expenses, Assets and Liabilities

Expenses of parent incurred at Corporate Centre establishments directly attributable either to Corporate/Wholesale and Retail Banking Operations or to Treasury Operations segment, are allocated accordingly. Expenses not directly attributable are allocated on the basis of the ratio of number of employees in each segment/ratio of directly attributable expenses.

Revenue, expenses, assets and liabilities which relate to the enterprise as a whole and are not allocable to any segment on a reasonable basis, have been reported as Unallocated.

3.2.2 SEGMENT INFORMATION

PART A: PRIMARY (BUSINESS) SEGMENTS:

₹ in crores

Business Segment	Treasury	Corporate / Wholesale Banking	Retail Banking	Insurance Business	Other Banking Operations	Elimination	TOTAL
Revenue	61,296.54 (51,426.82)	86,837.57 (85,230.94)	97,196.40 (90,781.04)	20,870.02 (24,476.88)	4,869.88 (4,144.11)		2,71,070.41 (2,56,059.79)
Unallocated Revenue .							1,800.62 (1,229.72)
Total Revenue							2,72,871.03 (2,57,289.51)
Result	9,071.69 (6,890.86)	-11,271.53 (1,945.87)	20,936.37 (18,355.51)	932.55 (843.39)	1,375.21 (1,361.91)		21,044.29 (29,397.54)
Unallocated Income(+)/Expenses(-) net							-2,867.51 (-3,542.97)
Profit Before Tax . . .							18,176.78 (25,854.57)
Taxes.							5,433.50 (8,337.20)
Extraordinary Profit . .							— (—)
Net Profit before share in profit in Associates and Minority Interest . .							12,743.28 (17,517.37)
Add: Share in Profit in Associates							275.82 (314.44)
Less: Minority Interest							794.51 (837.51)
Net Profit for the Group							12,224.59 (16,994.30)
Other Information:							
Segment Assets	6,51,194.08 (6,21,415.72)	11,31,334.93 (10,35,530.32)	10,54,672.01 (9,31,543.92)	87,073.44 (76,948.47)	17,298.70 (13,468.53)		29,41,573.16 (26,78,906.96)
Unallocated Assets. . .							29,324.48 (21,203.06)
Total Assets							29,70,897.64 (27,00,110.02)
Segment Liabilities . .	3,59,351.71 (3,66,954.63)	10,74,172.76 (9,58,490.64)	11,82,374.63 (10,59,909.52)	81,602.86 (72,072.91)	12,473.12 (9,110.23)		27,09,975.08 (24,66,537.93)
Unallocated Liabilities.							80,330.19 (72,184.55)
Total Liabilities							27,90,305.27 (25,38,722.48)

PART B: SECONDARY (GEOGRAPHIC) SEGMENTS

₹ in crores

	Domestic Operations	Foreign Operations	TOTAL
Revenue	2,59,965.33 (2,46,689.00)	12,905.70 (10,600.51)	2,72,871.03 (2,57,289.51)
Net Profit	8,172.53 (12,806.58)	4,052.06 (4,187.72)	12,224.59 (16,994.30)
Assets	26,19,303.39 (23,78,661.71)	3,51,594.25 (3,21,448.31)	29,70,897.64 (27,00,110.02)
Liabilities	24,42,680.61 (22,20,650.02)	3,47,624.66 (3,18,072.46)	27,90,305.27 (25,38,722.48)

(i) Income/Expenses are for the whole year. Assets/Liabilities are as at March 31, 2016.

(ii) Figures within brackets are for previous year

3.3 Related Party Disclosures:

3.3.1 Related Parties to the Group:

A) JOINT VENTURES:

1. C - Edge Technologies Ltd.

2. GE Capital Business Process Management Services Private Ltd.

3. SBI Macquarie Infrastructure Management Pvt. Ltd.

4. SBI Macquarie Infrastructure Trustee Pvt. Ltd.

5. Macquarie SBI Infrastructure Management Pte. Ltd.

6. Macquarie SBI Infrastructure Trustee Ltd.

7. Oman India Joint Investment Fund — Management Company Pvt. Ltd.

8. Oman India Joint Investment Fund — Trustee Company Pvt. Ltd.

B) ASSOCIATES:

i) Regional Rural Banks

1. Andhra Pradesh Grameena Vikas Bank

2. Arunachal Pradesh Rural Bank

3. Chhattisgarh Rajya Gramin Bank

4. Ellaquai Dehati Bank

5. Kaveri Grameena Bank

6. Langpi Dehangi Rural Bank

7. Madhyanchal Gramin Bank

8. Malwa Gramin Bank

9. Meghalaya Rural Bank

10. Mizoram Rural Bank

11. Nagaland Rural Bank

12. Purvanchal Bank

13. Rajasthan Marudhara Gramin Bank

14. Saurashtra Gramin Bank

15. Telangana Grameena Bank

16. Utkal Grameen Bank

17. Uttarakhand Gramin Bank

18. Vananchal Gramin Bank

ii) Others

19. The Clearing Corporation of India Ltd.

20. Bank of Bhutan Ltd.

21. SBI Home Finance Ltd. (under liquidation)

C) Key Management Personnel of the Bank:

1. Smt. Arundhati Bhattacharya, Chairman

2. Shri P. Pradeep Kumar Managing Director (Corporate Banking Group) (upto 31.10.2015)

3. Shri V.G. Kannan, Managing Director (Associates & Subsidiaries)

4. Shri B. Sriram

   ➢ Managing Director (National Banking Group) (upto 01.11.2015)

   ➢ Managing Director (Corporate Banking Group) (from 02.11.2015)

5. Shri Rajnish Kumar

   ➢ Managing Director (Compliance & Risk) (from 26.05.2015 to 01.11.2015)

   ➢ Managing Director (National Banking Group) (from 02.11.2015)

6. Shri P. K. Gupta, Managing Director (Compliance & Risk) (from 02.11.2015)

3.3.2 Related Parties with whom transactions were entered into during the year:

No disclosure is required in respect of related parties, which are "State controlled Enterprises" as per paragraph 9 of Accounting Standard (AS) 18. Further, in terms of paragraph 5 of AS 18, transactions in the nature of Banker-Customer relationship are not required to be disclosed in respect of Key Management Personnel and relatives of Key Management Personnel.

3.3.3 Transactions and Balances:

₹ in crores

Particulars	Associates/ Joint Ventures	Key Management Personnel & their relatives	Total
Transactions during the year 2015-16			
Interest Income	—	—	—
	(—)	(—)	(—)
Interest Expenditure	1.86	—	1.86
	(2.78)	(—)	(2.78)
Income earned by way of Dividend	27.32	—	27.32
	(33.82)	(—)	(33.82)
Other Income	3.46	—	3.46
	(—)	(—)	(—)
Other Expenditure	5.70	—	5.70
	(9.01)	(—)	(9.01)
Management Contract	399.08	1.58	400.66
	(308.94)	(1.03)	(309.97)
Outstanding as on 31st March 2016			
Payables			
Deposit	39.26	—	39.26
	(36.06)	(—)	(36.06)
Other Liabilities	42.23	—	42.23
	(29.45)	(—)	(29.45)
Receivables			
Balances with Banks	—	—	—
	(2.12)	(—)	(2.12)
Investments	41.55	—	41.55
	(41.55)	(—)	(41.55)
Advances	0.33	—	0.33
	(0.24)	(—)	(0.24)
Other Assets	0.13	—	0.13
	(0.34)	(—)	(0.34)
Maximum outstanding during the year			
Borrowings	—	—	—
	(—)	(—)	(—)
Deposit	52.32	—	52.32
	(57.32)	(—)	(57.32)
Other Liabilities	74.90	—	74.90
	(87.46)	(—)	(87.46)
Balance with Banks	2.12	—	2.12
	(5.94)	(—)	(5.94)
Advances	0.37	—	0.37
	(0.52)	(—)	(0.52)
Investment	41.55	—	41.55
	(41.55)	(—)	(41.55)
Other Assets	0.13	—	0.13
	(0.34)	(—)	(0.34)
Non-fund commitments (LCs/BGs)	—	—	—
	(—)	(—)	(—)

(Figures in brackets pertain to previous year)

There are no materially significant related party transactions during the year.

3.4 Leases:

3.4.1 Finance Leases

Assets taken on Financial Leases on or after April 01, 2001: The details of financial leases are given below:

₹ in crores

Particulars	As at March 31, 2016	As at March 31, 2015
Total Minimum lease payments outstanding		
Less than 1 year	4.79	5.12
1 to 5 years	3.29	5.43
5 years and above	—	—
Total	**8.08**	**10.55**
Interest Cost payable		
Less than 1 year	0.63	0.89
1 to 5 years	0.39	0.51
5 years and above	—	—
Total	**1.02**	**1.40**
Present value of minimum lease payments payable		
Less than 1 year	4.16	4.23
1 to 5 years	2.90	4.92
5 years and above	—	—
Total	**7.06**	**9.15**

3.4.2 Operating Lease

Operating leases primarily comprise office premises and staff residences, which are renewable at the option of the group entities.

Liability for Premises taken on Non-Cancellable operating lease are given below:

₹ in crores

Particulars	As at March 31, 2016	As at March 31, 2015
Not later than 1 year	335.87	262.05
Later than 1 year and not later than 5 years	1,285.14	836.60
Later than 5 years	341.41	222.21
Total	**1,962.42**	**1,320.86**

Amount of lease payments recognised in the P&L Account for the year is ₹2,181.50 crores (Previous Year ₹1,744.10 crores).

3.5 Earnings per Share:

The Bank reports basic and diluted earnings per equity share in accordance with Accounting Standard 20 - "Earnings per Share". "Basic earnings" per share is computed by dividing consolidated net profit after tax (other than minority) by the weighted average number of equity shares outstanding during the year.

Particulars	Current Year	Previous Year
Basic and diluted		
Number of Equity Shares outstanding at the beginning of the year	746,57,30,920	746,57,30,920
Number of Equity Shares issued during the year	29,70,46,122	—
Number of Equity Shares outstanding at the end of the year	776,27,77,042	746,57,30,920
Weighted average number of equity shares used in computing basic earnings per share	766,55,68,627	746,57,30,920
Weighted average number of shares used in computing diluted earnings per share	766,55,68,627	746,60,06,199
Net Profit for the Group (₹ in crores)	12,224.59	16,994.30
Basic earnings per share (₹)	15.95	22.76
Diluted earnings per share (₹)	15.95	22.76*
Nominal value per share (₹)	1.00	1.00

* Diluted earnings per share is computed taking into consideration the amount received for equity shares allotted on April 1, 2016.

3.6 Accounting for Taxes on Income:

i) During the year, ₹83.18 crores has been debited to Profit and Loss Account (Previous Year ₹1,049.64 crores credited) on account of deferred tax.

ii) The break up of deferred tax assets and liabilities into major items is given below:

₹ in crores

Particulars	As at 31-Mar-2016	As at 31-Mar-2015
Deferred Tax Assets		
Provision for Defined Benefit Schemes on account of Wage Revision	1.26	954.34
Provision for long term employee Benefits	2,092.14	2,235.65
Provision/Additional Provision on Specified Restructured Standard/Standard Assets over the specified RBI Prudential Norms	2,136.25	1,745.05
Depreciation on Fixed Assets	5.18	(0.23)
Provision for non performing assets	1,214.43	195.67
Others	1,434.89	690.95
Total	**6,884.15**	**5,821.43**
Deferred Tax Liabilities		
Depreciation on Fixed Assets	236.11	210.79
Interest accrued but not due on securities	3,863.93	3,660.78
Special Reserve created u/s 36(1)(viii) of Income Tax Act 1961	4,043.24	3,196.64
Others	510.09	470.94
Total	**8,653.37**	**7,539.15**
Net Deferred Tax Assets/(Liabilities)	**(1,769.22)**	**(1,717.72)**

3.7 Impairment of assets:

In the opinion of the Management, there is no impairment to the assets during the year to which Accounting Standard 28 — "Impairment of Assets" applies.

3.8 Provisions, Contingent Liabilities & Contingent Assets:

➢ **Provisions and contingencies recognised in Profit and Loss Account:**

₹ in crores

Particulars		Current Year	Previous Year
a)	Provision for Taxation		
	— Current Tax	5,350.36	9,375.30
	— Deferred Tax	83.18	(1,049.64)
	— Other Taxes	(0.04)	11.54
b)	Provision on Non-Performing Assets	38,024.06	20,634.68
c)	Provision on Restructured Assets	(2,912.87)	1,563.63
d)	Provision on Standard Assets	2,284.22	2,918.48
e)	Provision for Depreciation on Investments	320.96	(663.07)
f)	Other Provisions	213.45	578.34
	Total	**43,363.32**	**33,369.26**

(Figures in brackets indicate credit)

➢ **Floating provisions:**

₹ in crores

Particulars		Current Year	Previous Year
a)	Opening Balance	222.05	362.37
b)	Addition during the year	—	—
c)	Draw down during the year	28.29	140.32
d)	**Closing balance**	**193.76**	**222.05**

➢ **Description of contingent liabilities (AS-29):**

Sr. No	Particulars	Brief Description
1	Claims against the Group not acknowledged as debts	The parent and its constituents are parties to various proceedings in the normal course of business. It does not expect the outcome of these proceedings to have a material adverse effect on the Group's financial conditions, results of operations or cash flows. The Group is a party to various taxation matters in respect of which appeals are pending.
2	Liability on partly paid-up investments/ Venture Funds	This item represents amounts remaining unpaid towards liability for partly paid investments. This also includes undrawn commitments for Venture Capital Funds.

Sr. No	Particulars	Brief Description
3	Liability on account of outstanding forward exchange contracts	The Group enters into foreign exchange contracts in its normal course of business to exchange currencies at a pre-fixed price at a future date. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. The notional amounts are recorded as contingent liabilities. With respect to the transactions entered into with its customers, SBI generally enters into off-setting transactions in the interbank market. This results in generation of a higher number of outstanding transactions, and hence a large value of gross notional principal of the portfolio, while the net market risk is lower.
4	Guarantees given on behalf of constituents, acceptances, endorsements and other obligations	As a part of its commercial banking activities, the Group issues documentary credits and guarantees on behalf of its customers. Documentary credits enhance the credit standing of the customers of the Group. Guarantees generally represent irrevocable assurances that the Bank will make payment in the event of the customer failing to fulfil its financial or performance obligations.
5	Other items for which the Group is contingently liable	The Group enters into currency options, forward rate agreements, currency swaps and interest rate swaps with inter-Bank participants on its own account and for customers. Currency swaps are commitments to exchange cash flows by way of interest/principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. The notional amounts that are recorded as Contingent Liabilities, are typically amounts used as a benchmark for the calculation of the interest component of the contracts. Further, these also include estimated amount of contracts remaining to be executed on capital account and not provided for, letter of comforts issued by SBI on behalf of Associates & Subsidiaries, SBI's Liability under Depositors Education and Awareness Fund A/c and other sundry contingent liabilities.

The contingent liabilities mentioned above are dependent upon the outcome of court/arbitration/out of court settlements, disposal of appeals, the amount being called up, terms of contractual obligations, devolvement and raising of demand by concerned parties, as the case may be.

➢ **Movement of provisions against contingent liabilities:**

₹ in crores

Particulars	Current Year	Previous Year
a) Opening Balance	1,077.91	790.46
b) Additions during the year.	240.83	378.00
c) Amount utilised during the year.	286.02	26.88
d) Unused amount reversed during the year	314.51	63.67
e) **Closing balance**	**718.21**	**1,077.91**

4 Inter Office Accounts between branches, controlling offices, local head offices and corporate centre establishments of each domestic banking entity are being reconciled on an ongoing basis. Inter-Bank/Company balances between group entities are also being reconciled on an ongoing basis. No material effect is expected on the profit and loss account of the current year.

5 **Depreciation on Fixed Assets**

During the year, SBI has changed estimated useful life of few assets such as ATMs, cash dispensing machines, coin dispensing machine, computer servers, computer software, networking equipment. The effect of which on the financial statements is considered not material.

6 **Sale of Assets to Reconstruction Companies**

Shortfall on account of sale of assets to Reconstruction Companies during the year amounting to ₹1,669.24 crores (previous year ₹3,897.04 crores) is being amortized over two years, in terms of RBI Circular DBOD. BP.BC.98/21.04.132/2013-14 dated February 26, 2014. Consequently, ₹2,397.95 crores (previous year ₹887.13 crores) has been charged to the Profit & Loss Account for the year ended March 31, 2016. The amount unamortized as at March 31, 2016 is ₹2,281.20 crores (previous year ₹3,009.91 crores).

7 **Counter Cyclical Provisioning Buffer (CCPB)**

RBI vide Circular No. DBR.No.BP.BC.79/21.04.048/2014-15 dated March 30, 2015 on 'Utilisation of Floating Provisions/Counter Cyclical Provisioning Buffer' has allowed the banks, to utilise up to 50% of CCPB held by them as on December 31, 2014, for making specific provisions for Non-Performing Assets (NPAs) as per the policy approved by the Bank's Board of Directors. Accordingly, SBI and State Bank of Mysore have utilized the CCPB of ₹1,149.00 crores and ₹21.78 crores (previous year ₹382.00 crores and ₹Nil) respectively for making specific provision for NPAs, in accordance with the board approved policy and approval of the Board.

8 **Asset Quality Review (AQR)**

During the year, as a part of Asset Quality Review (AQR) conducted by RBI, SBI and its Domestic Banking Subsidiaries have been advised to reclassify/make additional provision in respect of certain advance accounts over two quarters ended December 2015 and March 2016. Accordingly, they have implemented the RBI directions.

9 **Food Credit**

In accordance with RBI instruction, SBI and Domestic Banking Subsidiaries have made a provision of 7.50% amounting to ₹715.98 crores against outstanding in the food credit advance to a State Government pending resolution by stakeholders.

10 Other income includes ₹2,033.83 crores on account of exchange gain on repatriation of funds from SBI's foreign offices to India and restatement of capital funds at historical costs at SBI's foreign offices.

11 In respect of SBI Life Insurance Company Ltd., IRDA has issued directions under Section 34(1) of the Insurance Act, 1938 to distribute the administrative charges paid to Master policy holders vide order no. IRDA/Life/ORD/Misc/228/10/2012 dated October 5, 2012 amounting to ₹84.32 crores and to refund the excess commission paid to corporate agent vide order no. IRDA/Life/ORD/Misc/083/03/ 2014 dated March 11, 2014 amounting to ₹275.29 crores respectively to the members or the beneficiaries. The company has filed appeals against the said directions/orders with the Appellate Authorities (i.e. Ministry of Finance, Govt. of India) and Securities Appellate Tribunal (SAT). As the final orders are pending, the aforesaid amounts have been disclosed as contingent liability.

12 Revaluation Reserve on revaluation of fixed assets in respect of State Bank of Patiala and State Bank of Mysore is reported in 'Revaluation Reserve' under Schedule 2 "Reserves and Surplus".

13 The investments of life and general insurance subsidiaries have been accounted for in accordance with the IRDA (Investment Regulations) 2000 instead of restating the same in accordance with the accounting policy followed by the banks. The investments of insurance subsidiaries constitute approximate 11.03% (Previous Year 9.97%) of the total investments as on March 31, 2016.

14 In accordance with RBI circular DBOD NO.BP.BC.42/21.01.02/2007-08, redeemable preference shares (if any) are treated as liabilities and the coupon payable thereon is treated as interest.

15 In accordance with current RBI guidelines, the general clarification issued by ICAI has been considered in the preparation of the Consolidated financial statements. Accordingly, additional statutory information disclosed in separate financial statements of the parent and its subsidiaries having no bearing on the true and fair view of the consolidated financial statements and also the information pertaining to the items which are not material have not been disclosed in the consolidated financial statements in view of the Accounting Standard Interpretation issued by ICAI.

16 Previous year figures have been regrouped/reclassified, wherever necessary, to conform to current year classification. In cases where disclosures have been made for the first time in terms of RBI guidelines/Accounting Standards, previous year's figures have not been mentioned.

INDEPENDENT AUDITORS' REPORT

To
The President of India,

Report on the Financial Statements

1. We have audited the accompanying financial statements of State Bank of India ("the Bank") as at March 31, 2016, which comprises the Balance Sheet as at March 31, 2016, the Profit and Loss Account and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information. Incorporated in these financial statements are the returns of

   i) The Central Offices, 14 Local Head Offices, Global Market Group, International Business Group, Corporate Accounts Group (Central), Mid-Corporate Group (Central), Stressed Assets Management Group (Central) and 42 branches audited by us;

   ii) 8,903 Indian Branches audited by other auditors;

   iii) 55 Foreign Branches audited by the local auditors.

   The branches audited by us and those audited by other auditors have been selected by the Bank in accordance with the guidelines issued to the Bank by the Reserve Bank of India. Also incorporated in the Balance Sheet and the Profit and Loss Account are the returns from 8,714 Indian Branches (including other accounting units) which have not been subjected to audit. These unaudited branches account for 4.03% of advances, 17.81% of deposits, and 4.99% of interest income and 16.08% of interest expenses.

Management's Responsibility for the Financial Statements

2. The Bank's management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the requirements of the Reserve Bank of India, the provisions of the Banking Regulation Act, 1949, the State Bank of India Act, 1955 and recognised accounting policies and practices, including the Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI). This responsibility of the management includes the design, implementation and maintenance of internal controls and risk management systems relevant to the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. In making those risk assessments, the management has implemented such internal controls that are relevant to the preparation of the financial statements and designed procedures that are appropriate in the circumstances so that the internal control with regard to all the activities of the Bank is effective.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion, as shown by books of the Bank, and to the best of our information and according to the explanations given to us:

   (i) the Balance Sheet, read with the significant accounting policies and the notes thereon is a full and fair Balance Sheet containing all the necessary particulars, is properly drawn up so as to exhibit a true and fair view of state of affairs of the Bank as at 31st March 2016 in conformity with accounting principles generally accepted in India;

   (ii) the Profit and Loss Account, read with the significant accounting policies and the notes thereon shows a true balance of profit, in conformity with accounting principles generally accepted in India, for the year covered by the account; and

   (iii) the Cash Flow Statement gives a true and fair view of the cash flows for the year ended on that date.

Emphasis of Matter

7. We draw attention to Note 18 of Schedule 18: 'Notes to Accounts' regarding:

   (a) Note No. 18.8 — para 20: non-amortization of Rs. 1,131.01 Crores on account of loss on sale of assets to Reconstruction Companies.

   (b) Note No. 18.8 — para 21: utilization of Counter Cyclical Buffer of Rs.1, 149 crores during the year.

   Our opinion is not qualified in respect of the above stated matter.

Report on Other Legal and Regulatory Requirements

8. The Balance Sheet and the Profit and Loss Account have been drawn up in Forms "A" and "B" respectively of the Third Schedule to the Banking Regulation Act 1949 and these give information as required to be given by virtue of the provisions of the State Bank of India Act, 1955 and regulations there under.

9. Subject to the limitations of the audit indicated in paragraphs 1 to 5 above and as required by the State Bank of India Act, 1955, and subject also to the limitations of disclosure required there in, we report that:

   a) We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purposes of our audit and have found them to be satisfactory.

b) The transactions of the Bank, which have come to our notice, have been within the powers of the Bank.

c) The returns received from the offices and branches of the Bank have been found adequate for the purposes of our audit.

10. In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement comply with the applicable accounting standards.

For M/s Varma & Varma
Chartered Accountants
(Cherian K Baby)
Partner/M.No.016043
Firm Regn.No.004532 S

For M/s Mehra Goel & Co.
Chartered Accountants
(R K Mehra)
Partner/M.No.006102
Firm Regn.No.000517 N

For M/s S R R K Sharma Associates
Chartered Accountants
(S R R K Sharma)
Partner/M.No.18088
Firm Regn.No.003790 S

For M/s V. Sankar Aiyar & Co.
Chartered Accountants
(Ajay Gupta)
Partner/M.No.090104
Firm Regn.No.109208 W

For M/s S. N. Mukherji & Co.
Chartered Accountants
(Sudip Mukherji)
Partner/M.No.013321
Firm Regn.No.301079 E

For M/s B. Chhawchharia & Co.
Chartered Accountants
(Kshitiz Chhawchharia)
Partner/M.No.061087
Firm Regn.305123 E

For M/s Manubhai & Shah LLP
Chartered Accountants
(Hitesh M Pomal)
Partner/M.No.106137
Firm Regn.No.106041W/W100136)

For M/s M. Bhaskara Rao & Co.
Chartered Accountants
(M V Ramana Murthy)
Partner/M.No.206439
Firm Regn.No.000459 S

For M/s GSA & Associates
Chartered Accountants
(Sunil Aggarwal)
Partner/M.No.083899
Firm Regn.No.000257 N

For M/s Chatterjee & Co.
Chartered Accountants
(S K Chatterjee)
Partner/M.No.003124
Firm Regn.No.302114 E

For M/s Bansal & Co.
Chartered Accountants
(D S Rawat)
Partner/M.No.083030
Firm Regn.No.001113 N

For M/s Amit Ray & Co.
Chartered Accountants
(Basudeb Banerjee)
PartnerM.No.070468
Firm Regn.No.000483 C

For M/s S L Chhajed & Co.
Chartered Accountants
(S N Sharma)
Partner/M.No.071224
Firm Regn.No.000709 C

For M/s Mittal Gupta & Co.
Chartered Accountants
(Akshay Kumar Gupta)
Partner/M.No.070744
Firm Regn.No.001874 C

Place : Kolkata
Date : 27th May, 2016

STATE BANK OF INDIA
BALANCE SHEET AS ON 31ST MARCH, 2016

(000s omitted)

CAPITAL AND LIABILITIES	Schedule No.	As on March 31, 2016	As on March 31, 2015
		Rs.	Rs.
Capital	1	7,762,777	7,465,731
Reserves & Surplus	2	1,434,981,583	1,276,916,534
Deposits	3	17,307,224,361	15,767,932,450
Borrowings	4	2,241,905,861	2,051,502,926
Other Liabilities & Provisions	5	1,598,755,746	1,376,980,357
TOTAL		**22,590,630,328**	**20,480,797,998**

ASSETS	Schedule No.	As on March 31, 2016	As on March 31, 2015
		Rs.	Rs.
Cash and Balances with Reserve Bank of India	6	1,296,293,253	1,158,838,435
Balances with Banks and money at call and short notice	7	378,383,312	589,774,602
Investments	8	4,770,972,765	4,950,273,952
Advances	9	14,637,004,175	13,000,263,929
Fixed Assets	10	103,892,772	93,291,642
Other Assets	11	1,404,084,051	688,355,438
TOTAL		**22,590,630,328**	**20,480,797,998**
Contingent Liabilities	12	9,719,560,058	10,006,272,578
Bills for collection		922,116,483	927,952,484
Significant Accounting Policies	17		
Notes to Accounts	18		
Schedules referred to above form an integral part of the Balance sheet			

STATE BANK OF INDIA
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2016

(000s omitted)

	Schedule No.	Year ended March 31, 2016	Year ended March 31, 2015
		Rs.	Rs.
I. INCOME			
Interest earned	13	1,636,853,061	1,523,970,742
Other Income	14	281,583,601	225,758,926
TOTAL		**1,918,436,662**	**1,749,729,668**
II. EXPENDITURE			
Interest expended	15	1,068,034,921	973,818,236
Operating expenses	16	417,823,665	380,538,714
Provisions and contingencies		333,071,539	264,356,998
TOTAL		**1,818,930,125**	**1,618,713,948**
III. PROFIT			
Net Profit for the year		99,506,537	131,015,720
Profit brought forward		3,248	3,248
TOTAL		**99,509,785**	**131,018,968**
IV. APPROPRIATIONS			
Transfer to Statutory Reserves		29,851,961	40,290,798
Transfer to Capital Reserves		3,452,746	1,055,044
Transfer to Revenue and other Reserves (including transfer to Investment Reserve Account for 2009-10 Rs. 40,556 thousand)		42,673,510	58,890,556
Dividend			
(i) Dividend for the previous year paid during the year (including tax on dividend)		80	—
(ii) Interim Dividend		—	—
(iii) Final Dividend Proposed		20,183,220	26,481,728
Tax on dividend		3,345,100	4,297,594
Balance carried over to Balance Sheet		3,168	3,248
TOTAL		**99,509,785**	**131,018,968**
Basic Earnings per Share		12.98	17.55
Diluted Earnings per Share		12.98	17.55
Significant Accounting Policies	17		
Notes to Accounts	18		
Schedules referred to above form an integral part of the Balance sheet			

(UNCONSOLIDATED) CASH FLOW STATEMENT OF STATE BANK OF INDIA FOR THE YEARS ENDED MARCH 31, 2016 AND 2015

(000s omitted)

		Year ended March 31, 2016	Year ended March 31, 2015
		Rs.	Rs.
I.	**CASH FLOW FROM OPERATING ACTIVITIES**	111,965,472	276,210,290
II.	**CASH FLOW FROM INVESTING ACTIVITIES**	(37,483,717)	(32,580,994)
III.	**CASH FLOW FROM FINANCING ACTIVITIES**	45,058,753	(22,891,173)
IV.	**CASH FLOW ON ACCOUNT OF EXCHANGE FLUCTUATION**	7,578,236	1,323,371
	NET CHANGE IN CASH AND CASH EQUIVALENTS	127,118,744	222,061,494
V.	**CASH AND CASH EQUIVALENTS - OPENING**	1,547,557,821	1,325,496,327
VI.	**CASH AND CASH EQUIVALENTS - CLOSING**	1,674,676,565	1,547,557,821

		Year ended March 31, 2016	Year ended March 31, 2015
I.	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Net Profit before taxes	137,740,574	193,139,620
	Adjustment for:		
	Depreciation of Fixed Assets	17,003,045	11,164,932
	(Profit)/Loss on sale of fixed assets (Net)	166,937	427,499
	Provision for diminution in fair value and NPAs	269,841,436	179,080,550
	Provision for Standard Assets	21,575,491	24,353,749
	Provision for Investment depreciation/(appreciation)	1,495,588	(5,900,729)
	Provision on other assets	—	—
	Profit/Loss on sale of Investments in Subsidiaries/Joint Ventures/Associates	(1,080,000)	—
	Provision for investments in subsidiaries/joint ventures/associates	—	—
	(Profit)/Loss on sale of investments (Net)	—	—
	(Profit)/Loss on revaluation of investments	1,516,743	—
	Other provisions including provisions for contingencies	1,924,987	4,699,529
	Interest paid on Capital Instruments	37,228,038	38,227,830
	Dividend/Earnings from Associates (Investing activity)	(4,758,257)	(6,770,343)
		482,654,582	438,422,637
	Adjustment for:		
	Increase/(Decrease) in Deposits	1,539,291,911	1,823,847,402
	Increase/(Decrease) in Borrowings other than Capital Instruments	129,027,640	220,578,475
	(Increase)/Decrease in Investments other than investments in subsidiaries/joint ventures/associates	59,540,084	(809,243,306)
	(Increase)/Decrease in Advances	(1,906,581,681)	(1,081,057,287)
	Increase/(Decrease) in Other Liabilities	234,463,307	344,373,530
	(Increase)/Decrease in Other Assets	(345,836,876)	(618,122,144)
	Reduction in FCTR on disposal of Investments in non-integral operations	(8,739,235)	—
		183,819,732	318,799,307
	Taxes paid	(71,854,260)	(42,589,017)
	NET CASH PROVIDED BY OPERATING ACTIVITIES	111,965,472	276,210,290

SCHEDULE 1 — CAPITAL

	As on March 31, 2016	As on March 31, 2015
	(000s omitted)	
	₹	₹
Authorized Capital:		
50,000,000,000 shares of ₹ 1 each (Previous Year 5000,00,00,000 shares of ₹ 1 each)	50,000,000	50,000,000
Issued Capital:		
7,763,598,072 Equity Shares of ₹ 1 each (Previous Year 7,466,561,670 Equity Shares of ₹ 1 each)	7,763,598	7,466,561
Subscribed and Paid-up Capital:		
7,762,777,042 Equity Shares of ₹ 1 each (Previous Year 746,57,30,920 Equity Shares of ₹ 1 each)	7,762,777	7,465,731
[The above includes 144,593,240 Equity Shares of ₹ 1 each (Previous Year 160,431,560 Equity Shares of ₹ 1 each) represented by 14,459,324 (Previous Year 16,043,156) Global Depository Receipts]		
TOTAL	**7,762,777**	**7,465,731**

SCHEDULE 2 — RESERVES & SURPLUS

(000s omitted)

		As on March 31, 2016		As on March 31, 2015	
		₹	₹	₹	₹
I.	**Statutory Reserves**				
	Opening Balance	478,394,098		438,103,300	
	Additions during the year....................	29,851,961		40,290,798	
	Deductions during the year	—		—	
			508,246,059		478,394,098
II.	**Capital Reserves**				
	Opening Balance	18,495,149		17,440,105	
	Additions during the year....................	3,452,746		1,055,044	
	Deductions during the year	—		—	
			21,947,895		18,495,149
III.	**Share Premium**				
	Opening Balance	414,446,860		414,446,860	
	Additions during the year....................	83,334,499		—	
	Deductions during the year	86,588		—	
			497,694,771		414,446,860
IV.	**Foreign Currency Translation Reserve**				
	Opening Balance	61,723,471		60,400,100	
	Additions during the year....................	7,578,236		1,582,942	
	Deductions during the year	8,739,235		259,571	
			60,562,472		61,723,471
V.	**Revenue and Other Reserves***				
	Opening Balance	303,853,708		244,963,152	
	Additions during the year....................	42,673,510		58,890,556	
	Deductions during the year	—		—	
			346,527,218		303,853,708
VI.	**Balance of Profit and Loss Account**		3,168		3,248
	*Note: Revenue & Other Reserve Includes: (i) ₹ 50,000 thousand (Previous Year ₹ 50,000 thousand) of Integration and Development Fund (maintained under Section 36 of the State Bank of India Act, 1955)				
	(ii) Special Reserve under Section 36(1)(viii) of the Income Tax Act, 1961 ₹ 84,991,816 thousand (Previous year ₹ 67,190,615 thousand)				
	TOTAL..		**1,434,981,583**		**1,276,916,534**

SCHEDULE 3 — DEPOSITS

			As on March 31, 2016	As on March 31, 2015
			(000s omitted)	
			₹	₹
A.	I.	Demand Deposits		
		(i) From Banks	57,355,863	59,415,145
		(ii) From Others	1,340,714,466	1,186,307,884
	II.	Savings Bank Deposits	5,977,460,602	5,273,328,184
	III.	Term Deposits		
		(i) From Banks	68,185,965	91,798,677
		(ii) From Others	9,863,507,465	9,157,082,560
		TOTAL	**17,307,224,361**	**15,767,932,450**
B.	I.	Deposits of Branches in India	16,364,245,865	14,872,363,278
	II.	Deposits of Branches outside India	942,978,496	895,569,172
		TOTAL	**17,307,224,361**	**15,767,932,450**

SCHEDULE 4 — BORROWINGS

			As on March 31, 2016	As on March 31, 2015
			(000s omitted)	
			₹	₹
I.	**Borrowings in India**			
	(i)	Reserve Bank of India	—	25,950,000
	(ii)	Other Banks	—	6,745,205
	(iii)	Other Institutions and Agencies	19,025,233	34,905,576
	(iv)	Capital Instruments		
		(a) Innovative Perpetual Debt Instruments (IPDI)	21,650,000	21,650,000
		(b) Hybrid debt capital instruments issued as bonds/debentures	—	—
		(c) Perpetual Cumulative Preference Shares (PCPS)	—	—
		(d) Redeemable Non-Cumulative Preference Shares (RNCPS)	—	—
		(e) Redeemable Cumulative Preference Shares (RCPS)	—	—
		(f) Subordinated Debt	423,742,380	364,713,960
			445,392,380	386,363,960
	TOTAL		**464,417,613**	**453,964,741**
II.	**Borrowings outside India**			
	(i)	Borrowings and Refinance outside India	1,736,078,873	1,558,475,685
	(ii)	Capital Instruments		
		(a) Innovative Perpetual Debt Instruments (IPDI)	41,409,375	39,062,500
		(b) Hybrid debt capital instruments issued as bonds/debentures	—	—
		(c) Perpetual Cumulative Preference Shares (PCPS)	—	—
		(d) Redeemable Non-Cumulative Preference Shares (RNCPS)	—	—
		(e) Redeemable Cumulative Preference Shares (RCPS)	—	—
		(f) Subordinated Debt	—	—
			41,409,375	39,062,500
		TOTAL	**1,777,488,248**	**1,597,538,185**
		GRAND TOTAL	**2,241,905,861**	**2,051,502,926**
		Secured Borrowings included in I & II above	**80,467,779**	**45,819,692**

SCHEDULE 5 — OTHER LIABILITIES AND PROVISIONS

(000s omitted)

		As on March 31, 2016 ₹	As on March 31, 2015 ₹
I.	Bills payable	184,384,565	201,846,967
II.	Inter-office adjustments (Net)	368,434,674	390,611,875
III.	Interest accrued	249,347,920	205,604,558
IV.	Deferred Tax Liabilities (Net)	26,849,565	23,531,187
V.	Others (including provisions)	769,739,022	555,385,770
	TOTAL	**1,598,755,746**	**1,376,980,357**

SCHEDULE 6 — CASH AND BALANCES WITH RESERVE BANK OF INDIA

(000s omitted)

		As on March 31, 2016 ₹	As on March 31, 2015 (Current Year) ₹
I.	Cash in hand (including foreign currency notes and gold)	150,809,189	149,432,217
II.	Balance with Reserve Bank of India		
	(i) In Current Account	1,145,484,064	1,009,406,218
	(ii) In Other Accounts	—	—
	TOTAL	**1,296,293,253**	**1,158,838,435**

SCHEDULE 7 — BALANCES WITH BANKS AND MONEY AT CALL & SHORT NOTICE

(000s omitted)

		As on March 31, 2016 ₹	As on March 31, 2015 ₹
I.	**In India**		
	(i) Balances with banks		
	(a) In Current Accounts	1,519,416	1,937,588
	(b) In Other Deposit Accounts	—	—
	(ii) Money at call and short notice		
	(a) With banks	29,720,000	22,400,000
	(b) With other institutions	—	—
	TOTAL	**31,239,416**	**24,337,588**
II.	**Outside India**		
	(i) In Current Accounts	240,849,046	210,590,565
	(ii) In Other Deposit Accounts	11,444,621	19,461,370
	(iii) Money at call and short notice	94,850,229	134,329,863
	TOTAL	**347,143,896**	**364,381,798**
	GRAND TOTAL	**378,383,312**	**388,719,386**

SCHEDULE 8 — INVESTMENTS

		As on March 31, 2016	As on March 31, 2015
		(000s omitted)	
		₹	₹
I.	Investments in India in:		
	(i) Government Securities	3,603,988,765	3,776,541,503
	(ii) Other approved securities	—	—
	(iii) Shares	43,279,022	43,364,856
	(iv) Debentures and Bonds	411,267,636	305,277,651
	(v) Subsidiaries and/or Joint Ventures (including Associates)	87,842,326	75,965,049
	(vi) Others (Units of mutual funds Commercial Papers priority sector deposits etc.)	230,227,882	312,868,234
	TOTAL	**4,376,605,631**	**4,514,017,293**
II.	Investments outside India in:		
	(i) Government Securities (including local authorities)	99,699,418	57,583,299
	(ii) Subsidiaries and/or Joint Ventures abroad	25,917,294	21,856,869
	(iii) Other Investments (Shares Debentures etc.)	268,750,422	224,130,017
	TOTAL	**394,367,134**	**303,570,185**
	GRAND TOTAL (I & II)	**4,770,972,765**	**4,817,587,478**
III.	Investments in India:		
	(i) Gross Value of Investments	4,379,550,562	4,516,349,840
	(ii) Less: Aggregate of Provisions/Depreciation	2,944,931	2,332,547
	(iii) Net Investments (vide I above)		
	TOTAL	**4,376,605,631**	**4,514,017,293**
IV.	Investments outside India:		
	(i) Gross Value of Investments	394,963,230	306,036,721
	(ii) Less: Aggregate of Provisions/Depreciation	596,096	2,466,536
	(iii) Net Investments (vide II above)		
	TOTAL	**394,367,134**	**303,570,185**
	GRAND TOTAL (III and IV)	**4,770,972,765**	**4,817,587,478**

SCHEDULE 9 — ADVANCES

			As on March 31, 2016	(000s omitted) As on March 31, 2015
			₹	₹
A.	(i)	Bills purchased and discounted	943,607,033	956,059,362
	(ii)	Cash credits, overdrafts and loans repayable on demand	5,894,423,319	5,385,764,018
	(iii)	Term loans	7,798,973,823	6,658,440,549
	TOTAL		**14,637,004,175**	**13,000,263,929**
B.	(i)	Secured by tangible assets (includes advances against Book Debts)	10,862,063,664	9,882,758,414
	(ii)	Covered by Bank/Government Guarantees	617,149,956	526,409,365
	(iii)	Unsecured	3,157,790,555	2,591,096,150
	TOTAL		**14,637,004,175**	**13,000,263,929**
C.	(I)	Advances in India		
		(i) Priority Sector	3,285,514,999	2,889,523,526
		(ii) Public Sector	1,444,019,116	994,445,078
		(iii) Banks	14,737,493	2,619,479
		(iv) Others	7,256,044,416	6,785,925,654
	TOTAL		**12,000,316,024**	**10,672,513,737**
	(II)	Advances outside India		
		(i) Due from banks	716,286,237	496,562,737
		(ii) Due from others		
		(a) Bills purchased and discounted	151,790,589	284,598,693
		(b) Syndicated loans	885,793,830	734,822,158
		(c) Others	882,817,495	811,766,604
	TOTAL		**2,636,688,151**	**2,327,750,192**
	GRAND TOTAL (C-I & C-II)		**14,637,004,175**	**13,000,263,929**

SCHEDULE 10 — FIXED ASSETS

(000s omitted)

			As on March 31, 2016		As on March 31, 2015	
			₹	₹	₹	₹
A.	I.	Premises				
		At cost as on March 31, of the preceding year	34,193,911		31,124,597	
		Additions during the year	2,151,889		3,123,737	
		Deductions during the year.	—		54,423	
		Depreciation to date	4,910,822		4,473,280	
				31,434,978		29,720,631
	II.	Other Fixed Assets (including furniture and fixtures)				
		At cost as on March 31, of the preceding year	175,423,545		155,732,935	
		Additions during the year.	22,805,865		27,582,885	
		Deductions during the year.	2,717,406		7,892,275	
		Depreciation to date	128,755,382		114,726,190	
				66,756,622		60,697,355
	III.	Leased Assets				
		At cost as on March 31, of the preceding year	2,087,020		2,336,247	
		Additions during the year.	—		—	
		Deductions during the year.	2,087,020		249,227	
		Depreciation to date including provision.	—		2,087,020	
				—		—
	IV.	Assets under Construction (Including Premises)		5,701,172		2,873,656
	TOTAL (I, II, III & IV)			**103,892,772**		**93,291,642**

SCHEDULE 11 — OTHER ASSETS

		As on March 31, 2016	As on March 31, 2015
		(000s omitted) ₹	₹
I.	Inter-office adjustments (net)	—	—
II.	Interest accrued	162,279,580	150,206,203
III.	Tax paid in advance/tax deducted at source	126,982,868	92,574,609
IV.	Deferred Tax Assets (Net)	4,725,188	3,659,857
V.	Stationery and stamps	1,026,731	1,044,823
VI.	Non-banking assets acquired in satisfaction of claims	39,100	42,591
VII.	Others* *Includes Deposits placed with NABARD/SIDBI/NHB amounting to ₹ 524,012,593 thousand (Previous Year ₹ 333,741,690 thousand)	1,109,030,584	774,569,045
	TOTAL	**1,404,084,051**	**1,022,097,128**

SCHEDULE 12 — CONTINGENT LIABILITIES

		As on March 31, 2016	As on March 31, 2015
		(000s omitted) ₹	₹
I.	Claims against the bank not acknowledged as debts	123,470,303	141,328,781
II.	Liability for partly paid investments	1,545,516	4,630,837
III.	Liability on account of outstanding forward exchange contracts	5,063,548,797	5,688,944,716
IV.	Guarantees given on behalf of constituents		
	(a) In India	1,358,115,197	1,237,111,464
	(b) Outside India	827,999,790	636,739,198
V.	Acceptances, endorsements and other obligations	1,069,285,226	977,650,954
VI.	Other items for which the bank is contingently liable* *Includes Derivatives ₹ 125856,86,50 thousand (Previous Year ₹ 130178,19,69 thousand)	1,275,595,229	1,319,866,628
	TOTAL	**9,719,560,058**	**10,006,272,578**

SCHEDULE 13 — INTEREST EARNED

		Year ended March 31, 2016	Year ended March 31, 2015
		(000s omitted) ₹	₹
I.	Interest/discount on advances/bills	1,156,660,122	1,123,439,120
II.	Income on investments	423,039,793	353,536,424
III.	Interest on balances with Reserve Bank of India and other inter-bank funds	6,210,684	5,051,235
IV.	Others	50,942,462	41,943,963
	TOTAL	**1,636,853,061**	**1,523,970,742**

SCHEDULE 14 — OTHER INCOME

		Year ended March 31, 2016 ₹	Year ended March 31, 2015 ₹
			(000s omitted)
I.	Commission, exchange and brokerage	144,159,800	131,728,313
II.	Profit/(Loss) on sale of investments (Net)	51,687,959	36,180,499
III.	Profit/(Loss) on revaluation of investments (Net)	(1,516,743)	—
IV.	Profit/(Loss) on sale of land, buildings and other assets (Net)	(166,937)	(427,499)
V.	Profit/(Loss) on exchange transactions	21,123,408	19,359,556
VI.	Income earned by way of dividends, etc., from subsidiaries/ companies and/or joint ventures abroad/in India	4,758,257	6,770,343
VII.	Income from financial lease	—	575
VIII.	Miscellaneous income#	61,537,857	32,147,139
	TOTAL	**281,583,601**	**225,758,926**

Miscellaneous Income includes Recoveries made in Write-off Accounts ₹ 2858,61,51 thousand (Previous year ₹ 2358,98,09 thousand)

SCHEDULE 15 — INTEREST EXPENDED

		Year ended March 31, 2016 ₹	Year ended March 31, 2015 ₹
			(000s omitted)
I.	Interest on deposits	988,649,884	891,484,502
II.	Interest on Reserve Bank of India/Inter-bank borrowings	41,542,959	39,720,427
III.	Others	37,842,078	42,613,307
	TOTAL	**1,068,034,921**	**973,818,236**

SCHEDULE 16 — OPERATING EXPENSES

		Year ended March 31, 2016	Year ended March 31, 2015
		(000s omitted)	
		₹	₹
I.	Payments to and provisions for employees	251,138,246	235,370,676
II.	Rent, taxes and lighting	37,091,528	34,069,448
III.	Printing and stationery	3,768,138	3,735,046
IV.	Advertisement and publicity	3,076,406	2,846,361
V.	(a) Depreciation on Bank's Property (Other than Leased Assets)	17,003,045	11,164,932
	(b) Depreciation on Leased Assets	—	—
VI.	Directors' fees, allowances and expenses	6,337	6,071
VII.	Auditors' fees and expenses (including branch auditors' fees and expenses)	1,970,421	1,789,993
VIII.	Law charges	1,795,008	1,916,237
IX.	Postages, Telegrams, Telephones etc.	6,093,530	6,568,287
X.	Repairs and maintenance	5,980,843	5,450,728
XI.	Insurance	17,180,367	15,943,589
XII.	Other expenditure	72,719,796	61,677,346
	TOTAL	**417,823,665**	**380,538,714**

SCHEDULE 17- SIGNIFICANT ACCOUNTING POLICIES:

A. BASIS OF PREPARATION:

The Bank's financial statements are prepared under the historical cost convention, on the accrual basis of accounting on going concern basis, unless otherwise stated and conform in all material aspects to Generally Accepted Accounting Principles (GAAP) in India, which comprise applicable statutory provisions, regulatory norms/guidelines prescribed by the Reserve Bank of India (RBI), Banking Regulation Act 1949, Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI), and the practices prevalent in the banking industry in India.

B. USE OF ESTIMATES:

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amount of assets and liabilities (including contingent liabilities) as on the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

C. SIGNIFICANT ACCOUNTING POLICIES:

1. Revenue recognition:

1.1 Income and expenditure are accounted on accrual basis, except otherwise stated. As regards Bank's foreign offices, income and expenditure are recognised as per the local laws of the country in which the respective foreign office is located.

1.2 Interest income is recognised in the Profit and Loss Account as it accrues except: (i) income from Non-Performing Assets (NPAs), comprising of advances, leases and investments, which is recognised upon realisation, as per the prudential norms prescribed by the RBI/ respective country regulators in the case of foreign offices (hereafter collectively referred to as Regulatory Authorities), (ii) overdue interest on investments and bills discounted, (iii) Income on Rupee Derivatives designated as "Trading", which are accounted on realisation.

1.3 Profit or Loss on sale of investments is recognised in the Profit and Loss Account. However, an amount equal to the profit on sale of investments in the 'Held to Maturity' category is appropriated (net of applicable taxes and amount required to be transferred to statutory reserve), to 'Capital Reserve Account'.

1.4 Income from financial leases is calculated by applying the interest rate implicit in the lease to the net investment outstanding in the lease, over the primary lease period. Leases effective from April 1, 2001 are accounted as advances at an amount equal to the net investment in the lease as per Accounting Standard 19 - Leases issued by ICAI. The lease rentals are apportioned between principal and finance income based on a pattern reflecting a constant periodic return on the net investment outstanding in respect of finance leases. The principal amount is utilized for reduction in balance of net investment in lease and finance income is reported as interest income.

1.5 Income (other than interest) on investments in "Held to Maturity (HTM)" category acquired at a discount to the face value, is recognised as follows:

a. On Interest bearing securities, it is recognised only at the time of sale/ redemption.

b. On zero-coupon securities, it is accounted for over the balance tenor of the security on a constant yield basis.

1.6 Dividend is accounted on an accrual basis where the right to receive the dividend is established.

1.7 All other commission and fee incomes are recognised on their realisation except for: (i) Guarantee commission on deferred payment guarantees, which is spread over the period of the guarantee; (ii) Commission on Government Business and ATM interchange fees, which are recognised as they accrue; and (iii) Upfront fees on restructured accounts, which is apportioned over the restructured period.

1.8 One time Insurance Premium paid under Special Home Loan Scheme (December 2008 to June 2009) is amortised over average loan period of 15 years.

1.9 Brokerage, Commission etc. paid/ incurred in connection with issue of Bonds / Deposits are amortized over the tenure of the related Bonds / Deposits and the expenses incurred in connection with the issue are charged upfront.

1.10 The sale of NPA is accounted as per guidelines prescribed by RBI :-

i. When the bank sells its financial assets to Securitisation Company (SC)/Reconstruction Company (RC), the same is removed from the books.

ii. If the sale is at a price below the net book value (NBV) (i.e., book value less provisions held), the shortfall is debited to the Profit and Loss Account over a period of 8 quarters equally beginning the quarter in which the sale was effected.

iii. If the sale is for a value higher than the NBV, the excess provision is written back in the year the amounts are received, as permitted by the RBI.

2. Investments:

The transactions in Government Securities are recorded on “Settlement Date”. Investments other than Government Securities are recorded on “Trade Date”.

2.1 Classification

Investments are classified into three categories, viz. Held to Maturity (HTM), Available for Sale (AFS) and Held for Trading (HFT) as per RBI Guidelines

2.2 Basis of classification:

i. Investments that the Bank intends to hold till maturity are classified as “Held to Maturity (HTM)”.

ii. Investments that are held principally for resale within 90 days from the date of purchase are classified as “Held for Trading (HFT)”.

iii. Investments, which are not classified in the above two categories, are classified as “Available for Sale (AFS)”.

iv. An investment is classified as HTM, HFT or AFS at the time of its purchase and subsequent shifting amongst categories is done in conformity with regulatory guidelines.

v. Investments in subsidiaries, joint ventures and associates are classified as HTM.

2.3 Valuation:

i. In determining the acquisition cost of an investment:

(a) Brokerage/commission received on subscriptions is reduced from the cost.

(b) Brokerage, Commission, Securities Transaction Tax (STT) etc., paid in connection with acquisition of investments are expensed upfront and excluded from cost.

(c) Broken period interest paid / received on debt instruments is treated as interest expense/income and is excluded from cost/sale consideration.

(d) Cost is determined on the weighted average cost method for investments under AFS and HFT category and on FIFO basis (first in first out) for investments under HTM category.

ii. Transfer of securities from HFT/AFS category to HTM category is carried out at the lower of acquisition cost/book value/market value on the date of transfer. The depreciation, if any, on such transfer is fully provided for. However, transfer of securities from HTM category to AFS category is carried out on acquisition price/book value. After transfer, these securities are immediately revalued and resultant depreciation, if any, is provided.

iii. Treasury Bills and Commercial Papers are valued at carrying cost.

iv. **Held to Maturity category:** a) Investments under Held to Maturity category are carried at acquisition cost unless it is more than the face value, in which case the premium is amortised over the period of remaining maturity on constant yield basis. Such amortisation of premium is adjusted against income under the head "interest on investments". b) Investments in subsidiaries, joint ventures and associates (both in India and abroad) are valued at historical cost. A provision is made for diminution, other than temporary, for each investment individually. c) Investments in Regional Rural Banks are valued at carrying cost (i.e. book value).

v. **Available for Sale and Held for Trading categories:** Investments held under AFS and HFT categories are individually revalued at the market price or fair value determined as per Regulatory guidelines, and only the net depreciation of each group for each category (viz., (i) Government securities (ii) Other Approved Securities (iii) Shares (iv) Bonds and Debentures (v) Subsidiaries and Joint Ventures; and (vi) others) is provided for and net appreciation, is ignored. On provision for depreciation, the book value of the individual security remains unchanged after marking to market.

vi. In case of sale of NPA (financial asset) to Securitisation Company (SC)/ Asset Reconstruction Company (ARC) against issue of Security Receipts (SR), investment in SR is recognised at lower of: (i) Net Book Value (NBV) (i.e., book value less provisions held) of the financial asset; and (ii) Redemption value of SR. SRs issued by an SC/ ARC are valued in accordance with the guidelines applicable to non-SLR instruments. Accordingly, in cases where the SRs issued by the SC/ ARC are limited to the actual realisation of the financial assets assigned to the instruments in the concerned scheme, the Net Asset Value, obtained from the SC/ ARC, is reckoned for valuation of such investments.

vii. Investments are classified as performing and non-performing, based on the guidelines issued by the RBI in the case of domestic offices and respective regulators in the case of foreign offices. Investments of domestic offices become non-performing where:

(a) Interest/installment (including maturity proceeds) is due and remains unpaid for more than 90 days.

(b) In the case of equity shares, in the event the investment in the shares of any company is valued at ′ 1 per company on account of the non availability of the latest balance sheet, those equity shares would be reckoned as NPI.

(c) If any credit facility availed by an entity is NPA in the books of the Bank, investment in any of the securities issued by the same entity would also be treated as NPI and vice versa.

(d) The above would apply mutatis-mutandis to Preference Shares where the fixed dividend is not paid.

(e) The investments in debentures/bonds, which are deemed to be in the nature of advance, are also subjected to NPI norms as applicable to investments.

(f) In respect of foreign offices, provisions for NPIs are made as per the local regulations or as per the norms of RBI, whichever is more stringent.

viii. Accounting for Repo/ Reverse Repo transactions (other than transactions under the Liquidity Adjustment Facility (LAF) with the RBI):

(a) The securities sold and purchased under Repo/ Reverse Repo are accounted as Collateralized lending and borrowing transactions. However, securities are transferred as in the case of normal outright sale/ purchase transactions and such movement of securities is reflected using the Repo/Reverse Repo Accounts and Contra entries. The above entries are reversed on the date of maturity. Costs and revenues are accounted as interest expenditure/income, as the case may be. Balance in Repo Account is classified under schedule 4 (Borrowings) and balance in Reverse Repo Account is classified under Schedule 7 (Balance with Banks and Money at Call & Short Notice).

(b) Securities purchased/sold under LAF with RBI are debited/credited to Investment Account and reversed on maturity of the transaction. Interest expended/earned thereon is accounted for as expenditure/revenue.

3. Loans /Advances and Provisions thereon:

3.1 Loans and Advances are classified as performing and non-performing, based on the guidelines/ directives issued by the RBI. Loan Assets become Non-Performing Assets (NPAs) where:

i. In respect of term loans, interest and/or instalment of principal remains overdue for a period of more than 90 days;

ii. In respect of Overdraft or Cash Credit advances, the account remains “out of order”, i.e. if the outstanding balance exceeds the sanctioned limit/drawing power continuously for a period of 90 days, or if there are no credits continuously for 90 days as on the date of balance-sheet, or if the credits are not adequate to cover the interest due during the same period;

iii. In respect of bills purchased/discounted, the bill remains overdue for a period of more than 90 days;

iv. In respect of agricultural advances: (a) for short duration crops, where the instalment of principal or interest remains overdue for two crop seasons; and (b) for long duration crops, where the principal or interest remains overdue for one crop season.

3.2 NPAs are classified into Sub-Standard, Doubtful and Loss Assets, based on the following criteria stipulated by RBI:

i. Sub-standard: A loan asset that has remained non-performing for a period less than or equal to 12 months.

ii. Doubtful: A loan asset that has remained in the sub-standard category for a period of 12 months.

iii. Loss: A loan asset where loss has been identified but the amount has not been fully written off.

3.3 Provisions are made for NPAs as per the extant guidelines prescribed by the regulatory authorities**,** subject to minimum provisions as prescribed below:

Substandard Assets:	i. A general provision of 15% on the total outstanding;
	ii. Additional provision of 10% for exposures which are unsecured ab-initio (i.e. where realisable value of security is not more than 10 percent ab-initio);
	iii. Unsecured Exposure in respect of infrastructure advances where certain safeguards such as escrow accounts are available - 20%.
Doubtful Assets:	
-Secured portion:	i. Upto one year — 25%
	ii. One to three years — 40%
	iii. More than three years — 100%
-Unsecured portion	100%
Loss Assets:	100%

3.4 In respect of foreign offices, the classification of loans and advances and provisions for NPAs are made as per the local regulations or as per the norms of RBI, whichever is more stringent.

3.5 Advances are net of specific loan loss provisions, unrealised interest, ECGC claims received and bills rediscounted.

3.6 For restructured/rescheduled assets, provisions are made in accordance with the guidelines issued by the RBI, which require that the difference between the fair value of the loans / advances before and after restructuring is provided for, in addition to provision for the respective loans/advances. The Provision for Diminution in Fair Value (DFV) and interest sacrifice, if any, arising out of the above, is reduced from advances.

3.7 In the case of loan accounts classified as NPAs, an account may be reclassified as a performing asset if it conforms to the guidelines prescribed by the regulators.

3.8 Amounts recovered against debts written off in earlier years are recognised as revenue in the year of recovery.

3.9 In addition to the specific provision on NPAs, general provisions are also made for standard assets as per extant RBI Guidelines. These provisions are reflected in Schedule 5 of the Balance Sheet under the head “Other Liabilities & Provisions — Others” and are not considered for arriving at the Net NPAs.

4. Floating Provisions:

The Bank has a policy for creation and utilisation of floating provisions separately for advances, investments and general purposes. The quantum of floating provisions to be created is assessed at the end of the financial year. The floating provisions are utilised only for contingencies under extraordinary circumstances specified in the policy with prior permission of Reserve Bank of India.

5. Provision for Country Exposure:

In addition to the specific provisions held according to the asset classification status, provisions are also made for individual country exposures (other than the home country). Countries are categorised into seven risk categories, namely, insignificant, low, moderate, high, very high, restricted and off-credit and provisioning made as per extant RBI guidelines. If the country exposure (net) of the Bank in respect of each country does not exceed 1% of the total funded assets, no provision is maintained on such country exposures. The provision is reflected in Schedule 5 of the Balance Sheet under the “Other liabilities & Provisions — Others”.

6. Derivatives:

6.1 The Bank enters into derivative contracts, such as foreign currency options, interest rate swaps, currency swaps, and cross currency interest rate swaps and forward rate agreements in order to hedge on-balance sheet/off-balance sheet assets and liabilities or for trading purposes. The swap contracts entered to hedge on-balance sheet assets and liabilities are structured in such a way that they bear an opposite and offsetting impact with the underlying on-balance sheet items. The impact of such derivative instruments is correlated with the movement of the underlying assets and accounted in accordance with the principles of hedge accounting.

6.2 Derivative contracts classified as hedge are recorded on accrual basis. Hedge contracts are not marked to market unless the underlying Assets/Liabilities are also marked to market.

6.3 Except as mentioned above, all other derivative contracts are marked to market as per the Generally Accepted Accounting Practices prevalent in the industry. In respect of derivative contracts that are marked to market, changes in the market value are recognised in the Profit and Loss Account in the period of change. Any receivable under derivatives contracts, which remain overdue for more than 90 days, are reversed through Profit and Loss Account to “Suspense Account Crystallised Receivables”. In cases where the derivative contracts provide for more settlement in future and if the derivative contract is not terminated on the overdue receivables remaining unpaid for 90 days, the positive MTM pertaining to future receivables is also reversed from Profit and Loss Account to “Suspense Account - Positive MTM”.

6.4 Option premium paid or received is recorded in Profit and Loss Account at the expiry of the option. The balance in the premium received on options sold and premium paid on options bought is considered to arrive at Mark-to-Market value for forex Over-the-Counter (OTC) options.

6.5 Exchange Traded Derivatives entered into for trading purposes are valued at prevailing market rates based on rates given by the Exchange and the resultant gains and losses are recognized in the Profit and Loss Account.

7. Fixed Assets Depreciation and Amortisation:

7.1 Fixed Assets are carried at cost less accumulated depreciation/ amortisation.

7.2 Cost includes cost of purchase and all expenditure such as site preparation, installation costs and professional fees incurred on the asset before it is put to use. Subsequent expenditure/s incurred on the assets put to use are capitalised only when it increases the future benefits from such assets or their functioning capability.

7.3 The rates of depreciation and method of charging depreciation in respect of domestic operations are as under:

Sl. No.	Description of Fixed Assets	Method of charging depreciation	Depreciation/amortisation rate
1	Computers	Straight Line Method	33.33% every year
2	Computer Software forming anintegral part of the Computer hardware	Straight Line Method	33.33% every year
3	Computer Software which does not form an integral part of Computer hardware and cost of Software Development	Straight Line Method	33.33% every year
4	Automated Teller Machine/ Cash Deposit Machine/ Coin Dispenser/Coin Vending Machine	Straight Line Method	20.00% every year
5	Servers	Straight Line Method	25.00% every year
6	Network Equipment	Straight Line Method	20.00% every year
7	Other fixed assets	Straight Line Method	On the basis of estimated useful life of the assets

Estimated useful life of major group of Fixed Assets are as under:

Premises	60 Years
Vehicles	5 Years
Safe Deposit Lockers	20 Years
Furniture & Fixtures	10 Years

7.4 In respect of assets acquired during the year (for domestic operations), depreciation is charged on proportionate basis for the number of days the assets have been put to use during the year.

7.5 Assets costing less than ₹1,000 each are charged off in the year of purchase.

7.6 In respect of leasehold premises, the lease premium, if any, is amortised over the period of lease and the lease rent is charged in the respective year(s).

7.7 In respect of assets given on lease by the Bank on or before 31st March 2001, the value of the assets given on lease is disclosed as Leased Assets under Fixed Assets, and the difference between the annual lease charge (capital recovery) and the depreciation is taken to Lease Equalisation Account.

7.8 In respect of fixed assets held at foreign offices, depreciation is provided as per the regulations /norms of the respective countries.

8. Leases:

The asset classification and provisioning norms applicable to advances, as laid down in Para 3 above, are applied to financial leases also.

9. Impairment of Assets:

Fixed Assets are reviewed for impairment whenever events or changes in circumstances warrant that the carrying amount of an asset may not be recoverable. Recoverability of other financial assets held and used is measured by a comparison of the carrying amount of an asset to future Net Discounted Cash Flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognised is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

10. Effect of changes in the foreign exchange rate:

10.1 Foreign Currency Transactions

i. Foreign currency transactions are recorded on initial recognition in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency on the date of transaction.

ii. Foreign currency monetary items are reported using the Foreign Exchange Dealers Association of India (FEDAI) closing (spot/forward) rates.

iii. Foreign currency non-monetary items, which are carried at historical cost, are reported using the exchange rate on the date of the transaction.

iv. Contingent liabilities denominated in foreign currency are reported using the FEDAI closing spot rates.

v. Outstanding foreign exchange spot and forward contracts held for trading are revalued at the exchange rates notified by FEDAI for specified maturities, and the resulting Profit or Loss is recognised in the Profit and Loss account.

vi. Foreign exchange forward contracts which are not intended for trading and are outstanding on the Balance Sheet date, are re-valued at the closing spot rate. The premium or discount arising at the inception of such a forward exchange contract is amortised as expense or income over the life of the contract.

vii. Exchange differences arising on the settlement of monetary items at rates different from those at which they were initially recorded are recognised as income or as expense in the period in which they arise.

viii. Gains/Losses on account of changes in exchange rates of open position in currency futures trades are settled with the exchange clearing house on daily basis and such gains/losses are recognised in the Profit and Loss Account.

10.2 Foreign Operations:

Foreign Branches of the Bank and Offshore Banking Units (OBU) have been classified as Non-integral Operations and Representative Offices have been classified as Integral Operations.

a. Non-integral Operations:

i. Both monetary and non-monetary foreign currency assets and liabilities including contingent liabilities of non-integral foreign operations are translated at closing exchange rates notified by FEDAI at the Balance Sheet date.

ii. Income and expenditure of non-integral foreign operations are translated at quarterly average closing rates notified by FEDAI.

iii. Exchange differences arising on investment in non-integral foreign operations are accumulated in Foreign Currency Translation Reserve until the disposal of the investment.

iv. The Assets and Liabilities of foreign offices in foreign currency (other than local currency of the foreign offices) are translated into local currency using spot rates applicable to that country on the Balance Sheet date.

b. Integral Operations:

i. Foreign currency transactions are recorded on initial recognition in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency on the date of transaction.

ii. Monetary foreign currency assets and liabilities of integral foreign operations are translated at closing (Spot/Forward) exchange rates notified by FEDAI at the Balance Sheet date and the resulting Profit/Loss is included in the Profit and Loss Account. Contingent Liabilities are translated at Spot rate.

iii. Foreign currency non-monetary items which are carried at historical cost are reported using the exchange rate on the date of the transaction.

11. Employee Benefits:

11.1 Short Term Employee Benefits:

The undiscounted amounts of short-term employee benefits, such as medical benefits which are expected to be paid in exchange for the services rendered by employees, are recognised during the period when the employee renders the service.

11.2 Long Term Employee Benefits:

i. Defined Benefit Plan

a. The Bank operates a Provident Fund scheme. All eligible employees are entitled to receive benefits under the Bank's Provident Fund scheme. The Bank contributes monthly at a determined rate (currently 10% of employee's basic pay plus eligible allowance). These contributions are remitted to a Trust established for this purpose and are charged to Profit and Loss Account. The Bank recognizes such annual contributions as an expense in the year to which it relates. Shortfall, if any, is provided for on the basis of actuarial valuation.

b. The Bank operates Gratuity and Pension schemes which are defined benefit plans.

   i) The Bank provides for gratuity to all eligible employees. The benefit is in the form of lump sum payments to vested employees on retirement, or on death while in employment, or on termination of employment, for an amount equivalent to 15 days basic salary payable for each completed year of service, subject to a maximum amount of ′ 10 lacs. Vesting occurs upon completion of five years of service. The Bank makes periodic contributions to a fund administered by Trustees based on an independent external actuarial valuation carried out annually.

   ii) The Bank provides for pension to all eligible employees. The benefit is in the form of monthly payments as per rules to vested employees on retirement or on death while in employment, or on termination of employment. Vesting occurs at different stages as per rules. The Bank makes monthly contribution to the Pension Fund at 10% of salary in terms of SBI Pension Fund Rules. The pension liability is reckoned based on an independent actuarial valuation carried out annually and Bank makes such additional contributions periodically to the Fund as may be required to secure payment of the benefits under the pension regulations.

c. The cost of providing defined benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains/losses are immediately recognised in the Profit and Loss Account and are not deferred.

ii. Defined Contribution Plans:

The Bank operates a New Pension Scheme (NPS) for all officers/ employees joining the Bank on or after 1st August, 2010, which is a defined contribution plan, such new joinees not being entitled to become members of the existing SBI Pension Scheme. As per the scheme, the covered employees contribute 10% of their basic pay plus dearness allowance to the scheme together with a matching contribution from the Bank. Pending completion of registration procedures of the employees concerned, these contributions are retained as deposits in the Bank and earn interest at the same rate as that of the current account of Provident Fund balance. The Bank recognizes such annual contributions and interest as an expense in the year to which they relate. Upon receipt of the Permanent Retirement Account Number (PRAN), the consolidated contribution amounts are transferred to the NPS Trust.

iii. Other Long Term Employee benefits:

a. All eligible employees of the Bank are eligible for compensated absences, silver jubilee award, leave travel concession, retirement award and resettlement allowance. The costs of such long term employee benefits are internally funded by the Bank.

b. The cost of providing other long term benefits is determined using the projected unit credit method with actuarial valuations being carried out at each Balance Sheet date. Past service cost is immediately recognised in the Profit and Loss Account and is not deferred.

11.3 Employee benefits relating to employees employed at foreign offices are valued and accounted for as per the respective local laws/ regulations.

12. Taxes on income:

Income tax expense is the aggregate amount of current tax and deferred tax expense incurred by the Bank. The current tax expense and deferred tax expense are determined in accordance with the provisions of the Income Tax Act, 1961 and as per Accounting Standard 22 - Accounting for Taxes on Income respectively after taking into account taxes paid at the foreign offices, which are based on the tax laws of respective jurisdictions. Deferred Tax adjustments comprises of changes in the deferred tax assets or liabilities during the year. Deferred tax assets and liabilities are recognised by considering the impact of timing differences between taxable income and accounting income for the current year, and carry forward losses. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. The impact of changes in deferred tax assets and liabilities is recognised in the profit and loss account. Deferred tax assets are recognised and re-assessed at each reporting date, based upon management's judgment as to whether their realisation is considered as reasonably certain. Deferred Tax Assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future profits.

13. Earnings per Share:

13.1 The Bank reports basic and diluted earnings per share in accordance with AS 20 - 'Earnings per Share' issued by the ICAI. Basic Earnings per Share are computed by dividing the Net Profit after Tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding for the year.

13.2 Diluted Earnings per Share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted Earnings per Share are computed using the weighted average number of equity shares and dilutive potential equity shares outstanding at year end.

14. Provisions, Contingent Liabilities and Contingent Assets:

14.1 In conformity with AS 29, "Provisions, Contingent Liabilities and Contingent Assets", issued by the Institute of Chartered Accountants of India, the Bank recognises provisions only when it has a present obligation as a result of a past event, and would result in a probable outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made.

14.2 No provision is recognised for:

i. any possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank; or

ii. any present obligation that arises from past events but is not recognised because:

a. it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

b. a reliable estimate of the amount of obligation cannot be made.

Such obligations are recorded as Contingent Liabilities. These are assessed at regular intervals and only that part of the obligation for which an outflow of resources embodying economic benefits is probable, is provided for, except in the extremely rare circumstances where no reliable estimate can be made.

14.3 Provision for reward points in relation to the debit card holders of the Bank is being provided for on actuarial estimates.

14.4 Contingent Assets are not recognised in the financial statements.

15. Bullion Transactions:

The Bank imports bullion including precious metal bars on a consignment basis for selling to its customers. The imports are typically on a back-to-back basis and are priced to the customer based on price quoted by the supplier. The Bank earns a fee on such bullion transactions. The fee is classified under commission income. The Bank also accepts deposits and lends gold, which is treated as deposits/advances as the case may be with the interest paid / received classified as interest expense/income. Gold Deposits, Metal Loan Advances and closing Gold balances are valued at available Market Rate as on the date of Balance Sheet.

16. Special Reserves:

Revenue and other Reserve include Special Reserve created under Section 36(i)(viii) of the Income Tax Act, 1961. The Board of Directors of the Bank have passed a resolution approving creation of the Reserve and confirming that it has no intention to make withdrawal from the Special Reserve.

17. Share Issue Expenses:

Share issue expenses are charged to the Share Premium Account.

SCHEDULE — 18:

NOTES TO ACCOUNTS

18.1 Capital

1. Capital Ratio

(Amount in ₹ Crores)

AS PER BASEL II

Sr. No.	Items	As at 31st March 2016	As at 31st March 2015
(i)	Common Equity Tier 1 Capital Ratio (%)	N.A.	
(ii)	Tier 1 capital ratio (%)	10.41%	10.10 %
(iii)	Tier 2 capital ratio (%)	3.53%	2.69%
(iv)	Total Capital Ratio (%)	13.94%	12.79%

AS PER BASEL III

Sr. No.	Items	As at 31st March 2016	As at 31st March 2015
(i)	Common Equity Tier 1 Capital Ratio (%)	9.81%	9.31%
(ii)	Tier 1 capital ratio (%)	9.92%	9.60%
(iii)	Tier 2 capital ratio (%)	3.20%	2.40%
(iv)	Total Capital Ratio (%)	13.12%	12.00%
(v)	Percentage of the Shareholding of Government of India	60.18%	58.60%
(vi)	Number of Shares held by Government of India.	4,671,634,652	4,374,598,250
(vii)	Amount of Equity Capital raised	5,393.00	2,970.00*
(viii)	Amount of Additional Tier 1 (AT 1) capital raised of which a)PNCPS:	Nil	Nil
	b)PDI:	Nil	Nil
(ix)	Amount of Tier 2 capital raised of which		
	a) Debt Capital instruments:	10,500.00	Nil
	b) Preference Share Capital Instruments: {Perpetual Cumulative Preference Shares (PCPS)/Redeemable Non-cumulative Preference Shares (RNCPS)/Redeemable Cumulative Preference Shares (RCPS)}	Nil	Nil

* Shares allotted on 1st April 2015 (considered under AT 1)

RBI vide circular No. DBR.No.BP.BC.83/21.06.201/2015-16 dated 1st March 2016, has given discretion to banks to consider "Foreign Currency Translation Reserve" and deferred tax asset for purposes of computation of Capital Adequacy as CET — I capital ratio. The Bank has exercised the option in the above computation for F.Y. 2015-16.

2. Share Capital

a) During the year, the Bank received application money of ₹5,393.00 crores (Previous Year ₹2,970.00 crores), including share premium of ₹5,373.34 crores (Previous Year ₹2,959.95 crores), from Government of India against preferential issue of 196,559,390 (Previous Year 100,477,012) equity shares of ₹1 each to Government of India. The equity shares were allotted on 29.09.2015.

b) The Bank received application money of ₹2,970.00 crores, including share premium of ₹2,959.95 crores, from Government of India against preferential issue of 100,477,012 equity shares of ₹1 each to Government of India on 31.03.2015. The equity shares were allotted on 01.04.2015.

c) 9,720 Equity Shares of ₹1 each that had been issued as a part of the Right Issue -2008 but allotment of which was kept in abeyance, were allotted on 16.07.2015 and amount of ₹9,720.00 credited to Capital Account and ₹1,535,760.00 credited to Share Premium Account. Balance of such shares issued and kept in abeyance is 821,030 (Previous Year 830,750) of ₹1 each, since they are subject to title disputes or are subjudice.

d) Expenses in relation to the issue of shares: ₹8.66 crores (Previous Year ′ Nil) is debited to Share Premium Account.

3. INNOVATIVE PERPETUAL DEBT INSTRUMENTS (IPDI)

The details of IPDI issued which qualify for Hybrid Tier I Capital and outstanding are as under:

A. Foreign

₹ In crores

Particulars	Date of Issue	Tenor	Amount	Equivalent ₹ as on 31st March 2016	Equivalent ₹ as on 31st March 2015
Bond issued under the MTN Programme - 12th series*	15.02.2007	Perpetual Non call 10.25 years	USD 400 million	2,650.20	2,500.00
Bond issued under the MTN Programme - 14th series#	26.06.2007	Perpetual Non call 10 yrs 1day	USD 225 million	1,490.74	1,406.25
Total			USD 625 million	4,140.94	3,906.25

* If the Bank does not exercise call option by 15th May 2017, the interest rate will be raised and fixed rate will be converted to floating rate.

\# If the Bank does not exercise call option by 27th June 2017, the interest rate will be raised and fixed rate will be converted to floating rate.

These bonds are unsecured bonds and are listed in Singapore stock exchange (SGX- Bonds Board).

B. Domestic

₹In crores

Sl.No.	Nature of Bonds	Principal Amount	Date of Issue	Rate of Interest % p.a.
1	SBI NON CONVERTIBLE PERPETUAL BONDS 2009-10 (Tier I) Series I	1,000.00	14.08.2009	9.10
2	SBI NON CONVERTIBLE PERPETUAL BONDS 2009-10 (Tier I) Series II	1,000.00	27.01.2010	9.05
3	SBI NON CONVERTIBLE PERPETUAL BONDS 2007-08 SBIN Series VI (Tier I)	165.00	28.09.2007	10.25
TOTAL		**2,165.00***		

* Includes ₹2,000 crores raised during the F.Y. 2009-10, of which ₹550 crores invested by SBI Employee Pension Fund, not reckoned for the purpose of Tier I Capital as per RBI instructions.

4. Subordinated Debts

The bonds are unsecured, long term, non—convertible and are redeemable at par.

The details of outstanding subordinate debts are as under:-

₹ In crores

Sr. No.	Nature Of Bonds	Principal Amount	Date Of Issue/ Date Of Redemption	Rate Of Interest % P.A.	Maturity Period In Months
1	SBI NON CONVERTIBLE (Private placement) Bonds 2006 (IX) (Lower Tier II).	1,500.00	28.03.2007 27.06.2016	9.85	111
2	SBI NON CONVERTIBLE (Private placement) Bonds 2006-07 SBS (Series II)(Lower Tier II) . .	225.00	30.03.2007 30.06.2016	9.80	111
3	SBI NON CONVERTIBLE (Private placement) Bonds 2008-09 (IV) (Lower Tier II)	1,000.00	06.03.2009 06.06.2018	8.95	111
4	SBI NON CONVERTIBLE (Private placement) Bonds 2008-09(II) (Lower Tier II)	1,500.00	29.12.2008 29.06.2018	8.40	114
5	SBI NON CONVERTIBLE (Private placement) Bonds 2006 (Upper Tier II).	2,327.90	05.06.2006 05.06.2021	8.80	180
6	SBI NON CONVERTIBLE (Private placement) Bonds 2006 (II) (Upper Tier II)	500.00	06.07.2006 06.07.2021	9.00	180
7	SBI NON CONVERTIBLE (Private placement) Bonds 2006 (III) (Upper Tier II).	600.00	12.09.2006 12.09.2021	8.96	180
8	SBI NON CONVERTIBLE (Private placement) Bonds 2006 (IV) (Upper Tier II).	615.00	13.09.2006 13.09.2021	8.97	180
9	SBI NON CONVERTIBLE (Private placement) Bonds 2006 (V) (Upper Tier II)	1,500.00	15.09.2006 15.09.2021	8.98	180
10	SBI NON CONVERTIBLE (Private placement) Bonds 2006 (VI) (Upper Tier II).	400.00	04.10.2006 04.10.2021	8.85	180
11	SBI NON CONVERTIBLE (Private placement) Bonds 2006 (VII) (Upper Tier II)	1,000.00	16.10.2006 16.10.2021	8.88	180

Sr. No.	Nature Of Bonds	Principal Amount	Date Of Issue/ Date Of Redemption	Rate Of Interest % P.A.	Maturity Period In Months
12	SBI NON CONVERTIBLE (Private placement) Bonds 2006-07 SBIN (Series IV) (Upper Tier II).	100.00	29.12.2006 29.12.2021	8.95	180
13	SBI NON CONVERTIBLE (Private placement) Bonds 2006 (VIII) (Upper Tier II)	1,000.00	17.02.2007 17.02.2022	9.37	180
14	SBI NON CONVERTIBLE (Private placement) Bonds 2006-07 SBIN (Series V) (Upper Tier II) .	200.00	22.03.2007 22.03.2022	10.25	180
15	SBI NON CONVERTIBLE (Private placement) Bonds 2007-08 (I) (Upper Tier II).	2,523.50	07.06.2007 07.06.2022	10.20	180
16	SBI NON CONVERTIBLE (Private placement) Bonds 2007-08 (II) (Upper Tier II)	3,500.00	12.09.2007 12.09.2022	10.10	180
17	SBI NON CONVERTIBLE (Private placement) Bonds 2008-09 (I) (Upper Tier II).	2,500.00	19.12.2008 19.12.2023	8.90	180
18	SBI NON CONVERTIBLE (Private Placement) Bonds 2013-14 (Tier II)	2,000.00	02.01.2014 02.01.2024	9.69	120
19	SBI NON CONVERTIBLE (Private placement) Bonds 2008-09 (III) (Upper Tier II)	2,000.00	02.03.2009 02.03.2024	9.15	180
20	SBI NON CONVERTIBLE (Private placement) Bonds 2008-09 (V) (Upper Tier II)	1,000.00	06.03.2009 06.03.2024	9.15	180
21	SBI NON CONVERTIBLE (Private placement) Bonds 2008-09 SBIN (SERIES VII) (Upper Tier II).	250.00	24.03.2009 24.03.2024	9.17	180
22	SBI Public Issue of Lower Tier II Non-Convertible Bonds 2010 (Series II)	866.92	04.11.2010 04.11.2025	9.50	180
23	SBI NON CONVERTIBLE, UNSECURED (Private Placement), BASEL III COMLIANT TIER 2 BONDS 2015-16 (Series I)	4,000.00	23.12.2015 23.12.2025	8.33	120
24	SBI NON CONVERTIBLE, UNSECURED (Private Placement), BASEL III COMLIANT TIER 2 BONDS 2015-16 (Series II)	3,000.00	18.02.2016 18.02.2026	8.45	120
25	SBI Public Issue of Lower Tier II Non-Convertible Bonds 2011 Retail (Series 4)	3,937.60	16.03.2011 16.03.2026	9.95	180
26	SBI Public Issue of Lower Tier II Non-Convertible Bonds 2011 Non Retail (Series 4) . .	828.32	16.03.2011 16.03.2026	9.45	180
27	SBI NON CONVERTIBLE, UNSECURED (Private Placement), BASEL III COMLIANT TIER 2 BONDS 2015-16 (Series III)	3,000.00	18.03.2016 18.03.2026	8.45	120
28	SBI NON CONVERTIBLE, UNSECURED (Private Placement), BASEL III COMLIANT TIER 2 BONDS 2015-16 (Series IV)	500.00	21.03.2016 21.03.2026	8.45	120
TOTAL		42,374.24			

18.2. Investments

1. The Details of investments and the movement of provisions held towards depreciation on investments of the Bank are given below:

₹ In crores

Particulars	As at 31st March 2016	As at 31st March 2015
1. Value of Investments		
i) Gross value of Investments		
(a) In India	437,955.05	451,634.98
(b) Outside India	39,496.32	30,603.67
ii) Provision for Depreciation		
(a) In India	294.49	233.25
(b) Outside India	59.61	246.65
iii) Net value of Investments		
(a) In India	437,660.56	451,401.73
(b) Outside India	39,436.71	30,357.02
2. Movement of provisions held towards depreciation on investments		
i) Balance at the beginning of the year	479.90	1,547.81
ii) Add: Provisions made during the year	610.39	168.29
iii) Less: Provision utilised during the year	293.72	511.13
iv) Add: Foreign Exchange revaluation adjustment	18.36	33.29
v) Less: Write back of excess provision during the year.	460.83	758.36
vi) Balance at the end of the year	354.10	479.90

Notes:

a. Investments in Government Securities is net of ₹67,154 crores (Previous Year ₹36,761 crores) utilised under Liquidity Adjustment Facility (LAF) and ₹32,000 crores (Previous Year ′ Nil) utilised under Marginal Standing Facility (MSF) with RBI.

b. Securities amounting to ₹2,827.96 crores (Previous Year ₹13,779.33 crores) are kept as margin with Clearing Corporation of India Limited (CCIL)/ NSCCL/MCX/USEIL/NSEIL/BSE towards securities settlement.

c. During the year the Bank infused additional capital in its subsidiaries and associates viz. i) State Bank of Patiala ₹799.99 crores, ii) SBI Foundation ₹1 crore, iiii) Nagaland Rural Bank ₹0.97 crores and iv) Ellaquai Dehati Bank ₹8.90 crore.

d. During the year, State Bank of Travancore allotted 9,481,518 equity shares equity shares of ₹10 each at a premium of ₹390 per share to the Bank amounting to ₹379.26 crores under right issue and thus stake of the Bank has increased from 78.91% to 79.09%.

e. During the year, the Bank has sold 2,400,000 equity shares of CCIL at a profit of ₹108 crores. Thus, the Bank's stake reduced from 26.00% to 21.20%.

2. **Repo Transactions (including Liquidity Adjustment Facility (LAF))**

The details of securities sold and purchased under repos and reverse repos including LAF during the year are given below:

₹ In crores

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Balance as on 31st March 2016
Securities sold under repos				
i. Government Securities	—	99,581.36	17,406.51	99,581.36
	(—)	(54,102.00)	(9,789.59)	(37,603.23)
ii. Corporate Debt Securities	—	1,314.24	571.47	1,254.07
	(—)	(516.56)	(258.28)	(—)
Securities purchased under reverse repos				
i. Government Securities	—	55,000	4,692.95	—
	(—)	(22,010.12)	(2,434.51)	(—)
ii. Corporate Debt securities.	—	—	—	—
	(—)	(—)	(—)	(—)

(Figures in brackets are for Previous Year)

3. **Non-SLR Investment Portfolio**

a) **Issuer composition of Non SLR Investments**

The issuer composition of Non-SLR investments of the Bank is given below:

₹ In crores

Sl. No.	Issuer	Amount	Extent of Private Placement	Extent of "Below Investment Grade" Securities *	Extent of "Unrated" Securities *	Extent of "Unlisted" Securities *
(i)	PSUs.	19,718.43	9,452.46	341.83	176.49	541.78
		(14,751.97)	(3,445.03)	(419.01)	(418.76)	(719.01)
(ii)	FIs	29,826.69	18,998.39	—	—	200.00
		(15,395.58)	(8,484.47)	—	—	(200.00)
(iii)	Banks	15,398.01	1,256.40	1,118.15	23.62	23.62
		(22,060.06)	(9,963.70)	(798.34)	—	—
(iv)	Private Corporates.	23,905.24	12,464.90	2,299.54	499.93	78.67
		(30,846.04)	(16,654.33)	(1,594.50)	(933.07)	(238.39)
(v)	Subsidiaries/Joint Ventures** . .	11,379.03	—	—	—	—
		(9,785.06)	(—)	(—)	(—)	(—)
(vi)	Others	16,825.10	—	1,219.73	1,147.88	—
		(11,745.76)	(—)	(719.38)	(852.70)	(749.36)
(vii)	Provision held towards depreciation	354.10	—	31.97	—	—
		(479.90)	(—)	(6.05)	(93.72)	(62.67)
	Total	1,16,698.40	42,172.15	4,947.28	1,847.92	844.07
		(104,104.57)	(38,547.53)	(3,525.18)	(2,110.81)	(1,844.09)

(Figures in brackets are for Previous Year)

* Investment in Equity, Equity Oriented Mutual Funds, Venture Capital, Rated Assets Backed Securities, Central Government Securities and ARCIL are not segregated under these categories as these are exempt from rating/listing guidelines.

** Investments in Subsidiaries/Joint Ventures have not been segregated into various categories as these are not covered under relevant RBI Guidelines.

b) Non Performing Non-SLR Investments

₹ In crores

Particulars	Current Year	Previous Year
Opening Balance	401.72	935.24
Additions during the year	52.36	48.11
Reductions during the year	307.84	581.63
Closing balance	146.24	401.72
Total provisions held	**126.68**	**394.17**

c) Sales And Transfers Of Securities To/From HTM Category

The value of sales and transfers of securities to/from HTM Category does not exceed 5% of the book value of investment held in HTM category at the beginning of the year.

18.3. Derivatives

A. Forward Rate Agreements / Interest Rate Swaps

₹ In crores

Particulars	As at 31st March 2016	As at 31st March 2015
i) The notional principal of swap agreements#	130,624.90	92,965.61
ii) Losses which would be incurred if counterparties failed to fulfil their obligations under the agreements	2,080.00	1,945.78
iii) Collateral required by the Bank upon entering into swaps	Nil	Nil
iv) Concentration of credit risk arising from the swaps	Not significant	Not significant
v) The fair value of the swap book	946.31	996.24

\# IRS/FRA amounting to ₹11,232.11 crores (Previous Year ₹14,072.53 crores) entered with the Bank's own foreign offices are not shown here as they are for hedging of FCNB corpus and hence not marked to market.

B. Exchange Traded Interest Rate Derivatives

₹ In crores

Sr. No.	Particulars	Current Year	Previous Year
1	Notional principal amount of exchange traded interest rate derivatives undertaken during the year		
	A Interest Rate Futures	Nil	Nil
	B 10 Year Government of India Securities	235.74	19,014.13
2	Notional principal amount of exchange traded interest rate derivatives outstanding as on 31st March 2016		
	A Interest Rate Futures	Nil	Nil
	B 10 Year Government of India Securities	Nil	2.00
3	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective"	N.A.	N.A.
4	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective"	N.A.	N.A.

C. Risk Exposure in Derivatives

(A) Qualitative Risk Exposure

i. The Bank currently deals in over-the-counter (OTC) interest rate and currency derivatives as also in Interest Rate Futures and Exchange Traded Currency Derivatives. Interest Rate Derivatives dealt by the Bank are rupee interest rate swaps, foreign currency interest rate swaps and forward rate agreements, Cap, Floor and Collars. Currency derivatives dealt by the Bank are currency swaps, rupee dollar options and cross-currency options. The products are offered to the Bank's customers to hedge their exposures and the Bank enters into derivatives contracts to cover such exposures. Derivatives are used by the Bank both for trading as well as hedging balance sheet items. The Bank also runs option position in USD/INR, which is managed through various types of loss limits and Greek limits.

ii. Derivative transactions carry market risk i.e. the probable loss the Bank may incur as a result of adverse movements in interest rates/exchange rates/equity prices and credit risk i.e. the probable loss the Bank may incur if the counterparties fail to meet their obligations. The Bank's "Policy for Derivatives" approved by the Board prescribes the market risk parameters (cut-loss triggers, open position limits, duration, modified duration, PV01 etc.) as well as customer eligibility criteria (credit rating, tenure of relationship, limits and customer appropriateness and suitability of policy (CAS) etc.) for entering into derivative transactions. Credit risk is controlled by entering into derivative transactions only with counterparties satisfying the criteria prescribed in the Policy. Appropriate limits are set for the counterparties taking into account their ability to honour obligations and the Bank enters into ISDA agreement with each counterparty.

iii. The Asset Liability Management Committee (ALCO) of the Bank oversees efficient management of these risks. The Bank's Market Risk Management Department (MRMD) identifies, measures, monitors market risk associated with derivative transactions, assists ALCO in controlling and managing these risks and reports compliance with policy prescriptions to the Risk Management Committee of the Board (RMCB) at regular intervals.

iv. The accounting policy for derivatives has been drawn-up in accordance with RBI guidelines, the details of which are presented under Schedule 17: Significant Accounting Policies (SAP) for the financial year 2015-16.

v. Interest Rate Swaps are mainly used at Foreign Offices for hedging of the assets and liabilities.

vi. Apart from hedging swaps, swaps at Foreign Offices consist of back to back swaps done at our Foreign Offices which are done mainly for hedging of FCNR deposits at Global Markets, Kolkata.

vii. Majority of the swaps were done with First class counterparty banks.

(B) Quantitative Risk Exposure

₹ In crores

Particulars			Currency Derivatives		Interest Rate Derivatives	
			Current Year	Previous Year	Current Year	Previous Year
(I)	Derivatives (Notional Principal Amount)					
	(a)	For hedging	17,713.28@	4,450.61@	55,699.48#	69,056.07#
	(b)	For trading*	232,714.53	242,870.49	74,925.42	62,128.01
(II)	Marked to Market Positions					
	(a)	Asset	3,971.40	3,152.45	1,642.57	979.00
	(b)	Liability	2,145.05	2,280.85	369.89	667.47
(III)	Credit Exposure		7,960.90	11,206.42	3,487.84	3,774.49
(IV)	Likely impact of one percentage change in interest rate (100* PV01)					
	(a)	on hedging derivatives	-0.04	0.02	-63.09	-92.42
	(b)	on trading derivatives.	2.68	2.88	20.34	24.44
(V)	Maximum and Minimum of 100* PV 01 observed during the year					
	(a)	on hedging -Maximum -	0.08	0	-34.14	-79.11
		Minimum	-0.04	-0.03	-44.36	-88.24
	(b)	on trading — Maximum -	0.67	6.22	0.9	0.38
		Minimum	0	0.039	-0.05	0.2225

@ The swaps amounting to ₹7,811.17 crores (Previous Year ₹8,486.92 crores) entered with the Bank's own foreign offices are not shown here as they are for hedging of FCNB corpus and hence not marked to market.

IRS/FRA amounting to ₹11,232.11 crores (Previous Year ₹14,072.53 crores) entered with the Bank's own Foreign offices are not shown here as they are for hedging of FCNB corpus and hence not marked to market.

* The forward contract deals with our own Foreign Offices are not included. Currency Derivatives — Nil (Previous Year ₹7,757.17 crores) and Interest Rate Derivatives — Nil (Previous Year ₹62.39 crores)

1. The outstanding notional amount of derivatives done between Global Markets Unit and International Banking Group as on 31st March 2016 amounted to ₹19,043.28 crores (Previous Year ₹30,379.01 crores) and the derivatives done in-between SBI Foreign Offices as on 31st March 2016 amounted to ₹18,071.97 crores (Previous Year ₹14,995.17 crores).

2. The outstanding notional amount of interest rate derivatives which are not marked —to-market (MTM) where the underlying Assets/Liabilities are not marked to market as on 31st March 2016 amounted to ₹66,453.24 crores (Previous Year ₹129,113.66 crores).

18.4. Asset Quality

a) Non-Performing Assets

₹ In crores

Particulars		As at 31st March 2016	As at 31st March 2015
i)	Net NPAs to Net Advances (%)	3.81%	2.12%
ii)	Movement of NPAs (Gross)		
	(a) Opening balance	56,725.34	61,605.35
	(b) Additions (Fresh NPAs) during the year	64,198.49	29,435.02
	Sub-total (I)	120,923.83	91,040.37
	Less:		
	(c) Reductions due to upgradations during the year	2,598.59	3,776.15
	(d) Reductions due to recoveries (Excluding recoveries made from upgraded accounts)	4,389.18	9,235.42
	(e) Technical/ Prudential Write-offs	Nil	Nil
	(f) Reductions due to Write-offs during the year	15,763.26	21,303.46
	Sub-total (II)	22,751.03	34,315.03
	(f) Closing balance (I-II)	98,172.80	56,725.34
iii)	Movement of Net NPAs		
	(a) Opening balance	27,590.58	31,096.07
	(b) Additions during the year	36,192.76	9,504.61
	(c) Reductions during the year	7,976.32	13,010.10
	(d) Closing balance	55,807.02	27,590.58
iv)	Movement of provisions for NPAs		
	(a) Opening balance	29,134.76	30,509.28
	(b) Provisions made during the year	28,005.73	19,930.41
	(c) Write-off / write-back of excess provisions	14,774.71	21,304.93
	(d) Closing balance	42,365.78	29,134.76

Opening and closing balances provision for NPAs include ECGC claims received and held pending adjustment of ₹62.64 crores (Previous Year ₹69.30 crores) and ₹67.27 crores (Previous Year ₹62.64 crores) respectively.

b) Restructured Accounts

	Type of Restructuring		Under CDR Mechanism (1)					Under SME Debt Restructuring Mechanism (2)				
	Asset Classification											
Sl. No.	Particulars		Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total
1	Restructured Accounts as on April 1, 2015 (Opening position)	No. of Borrowers	121	7	47	2	177	315	90	107	11	523
			(110)	(13)	(40)	(3)	(166)	(483)	(35)	(78)	(9)	(605)
		Amount outstanding	25,079.31	999.76	5,035.94	477.48	31,592.49	3,325.56	369.03	2,202.13	85.28	5,982.00
			(21,134.61)	(836.09)	(5,066.44)	(499.74)	(27,536.8)	(3,834.26)	(251.71)	(1,209.96)	(86.17)	(5,382.10)
		Provision thereon	1,847.05	103.90	183.40	47.65	2,182.00	121.85	9.95	71.77	—	203.58
			(1,636.32)	(60.34)	(520.73)	(0.1)	(2,217.49)	(117.21)	(22.89)	(169.89)	(0.04)	(310.03)
2	Fresh Restructuring during the current FY	No. of Borrowers	2	—	3	—	5	22	5	10	1	38
			(47)	(4)	(8)	(—)	(59)	(97)	(29)	(20)	(1)	(147)
		Amount outstanding	1,679.91	2.46	393.89	92.71	2,168.97	143.57	12.54	28.47	0.00	184.58
			(8,208.93)	(839.32)	(648.19)	(—)	(9,696.44)	(1,616.65)	(194.15)	(364.74)	(1.14)	(2,176.68)
		Provision thereon	-183.63	-5.69	46.15	2.58	-140.59	4.18	1.17	1.65	—	7.00
			(664.08)	(90.44)	(14.81)	(—)	(769.33)	(82.76)	(6.98)	(2.67)	(—)	(92.4)
3	Upgradation to restructured standard category during current FY	No. of Borrowers	2	—	-1	-1	—	5	—	-5	—	—
			(5)	(-2)	(-3)	(0)	(0)	(2)	(0)	(-2)	(0)	(0)
		Amount outstanding	217.44	—	107.47	-324.91	—	58.68	-14.62	-44.06	—	—
			(699.09)	(-38.09)	(-660.99)	(0)	(0)	(3.87)	(0)	(-3.87)	(0)	(0)
		Provision thereon	6.05	—	23.27	-29.32	—	2.25	-0.03	-2.22	—	—
			(29.74)	(-1.49)	(-28.26)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
4	Restructured Standard Advances which ceases to attract higher provisioning and/ or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of Borrowers	-16	—	—	—	-16	-79	—	—	—	-79
			(-20)	(0)	(0)	(0)	(-20)	(-68)	(0)	(0)	(0)	(-68)
		Amount outstanding	-968.10	—	—	—	-968.10	-612.91	—	—	—	-612.91
			(-1,800.54)	(0)	(0)	(0)	(1,800.54)	(-243.42)	(0)	(0)	(0)	(-243.42)
		Provision thereon	-41.87	—	—	—	-41.87	-1.77	—	—	—	-1.77
			(-76.29)	(0)	(0)	(0)	(-76.29)	(-3.12)	(0)	(0)	(0)	(-3.12)
5	Downgradations of restructured accounts during current FY	No. of Borrowers	-35	-3	34	4	—	-31	-7	29	9	—
			(-16)	(-4)	(17)	(3)	(0)	(-90)	(39)	(43)	(8)	(0)
		Amount outstanding	-9,512.83	-760.38	10,252.24	20.97	—	-588.47	223.45	303.16	61.86	—
			(-2,725.7)	(-268.98)	(2,517.19)	(477.49)	(0)	(-1,177.97)	(23.53)	(904.13)	(250.32)	(0)
		Provision thereon	-537.57	-80.29	637.83	-19.97	—	-33.32	13.96	19.36	—	—
			(-122.91)	(-12.37)	(87.62)	(47.66)	(0)	(-31.35)	(-10.32)	(24.32)	(17.35)	(0)
6	Write-offs of restructured accounts during current FY	No. of Borrowers	-12	-1	-9	-2	-24	-46	-42	-18	-10	-116
			(-5)	(-4)	(-15)	(-4)	(-28)	(-109)	(-13)	(-32)	(-7)	(-161)
		Amount outstanding	-2,309.70	-22.41	-1,744.12	-30.02	-4,106.25	-579.50	-145.41	-341.16	-115.58	-1,181.65
			(-437.08)	(-368.57)	(-2534.9)	(-499.74)	(-3,840.28)	(-707.83)	(-100.36)	(-272.82)	(-252.35)	(-1,333.36)
		Provision thereon	-310.88	-4.28	-478.76	—	-793.92	-43.70	-6.81	13.65	—	-36.86
			(-283.9)	(-33.03)	(-411.51)	(-0.1)	(-728.53)	(-43.64)	(-9.59)	(-125.1)	(-17.39)	(-195.73)
7	TOTAL Restructured Accounts as on 31st March, 2016 (Closing Position)	No. of Borrowers	62	3	74	3	142	186	46	123	11	366
			(121)	(7)	(47)	(2)	(177)	(315)	(90)	(107)	(11)	(523)
		Amount outstanding	14,186.03	219.43	14,045.42	236.23	28,687.11	1,746.93	444.99	2,148.54	31.56	4,372.02
			(25,079.31)	(999.76)	(5,035.94)	(477.49)	(31,592.49)	(3,325.56)	(369.03)	(2,202.13)	(85.28)	(5,982)
		Provision thereon	779.15	13.64	411.89	0.94	1,205.62	49.49	18.24	104.21	—	171.95
			(1,847.05)	(103.9)	(183.4)	(47.66)	(2,182)	(121.85)	(9.95)	(71.77)	(0)	(203.58)

Sl. No.	Type of Restructuring / Asset Classification / Particulars		Others (3) Standard	Sub Standard	Doubtful	Loss	Total	TOTAL (1 + 2 + 3) Standard	Sub Standard	Doubtful	Loss	Total
1	Restructured Accounts as on April 1, 2015 (Opening position)	No. of Borrowers	676	1,273	1,351	463	3,763	1,112	1,370	1,505	476	4,463
			(3,771)	(1,088)	(750)	(77)	(5,686)	(4,364)	(1,136)	(868)	(89)	(6,457)
		Amount outstanding	27,437.97	770.82	5,140.13	305.27	33,654.17	55,842.83	2,139.61	12,378.20	868.03	71,228.67
			(18,081.6)	(1829)	(5,942.25)	(165.81)	(26,018.68)	(43,050.49)	(2,916.8)	(12,218.66)	(751.72)	(58,937.66)
		Provision thereon	1,095.69	12.58	138.97	5.73	1,252.98	3,064.59	126.43	394.15	53.39	3,638.56
			(662.79)	(173.87)	(283)	(3.66)	(1,123.32)	(2,416.31)	(257.1)	(973.62)	(3.81)	(3,650.84)
2	Fresh Restructuring during the current FY	No. of Borrowers	105	252	73	19	449	129	257	86	20	492
			(364)	(288)	(580)	(119)	(1351)	(508)	(321)	(608)	(120)	(1557)
		Amount outstanding	6,497.48	65.63	284.39	102.82	6,950.32	8,320.96	80.63	706.75	195.54	9,303.88
			(14,711.51)	(374.93)	(1,343.34)	(469.19)	(16,898.97)	(24,537.09)	(1,408.4)	(2,356.27)	(470.33)	(28,772.09)
		Provision thereon	15.54	4.62	3.25	0.18	23.59	-163.92	0.10	51.04	2.77	-110.01
			(713.32)	(16.16)	(302.36)	(47.07)	(1,078.9)	(1,460.15)	(113.58)	(319.84)	(47.07)	(1,940.63)
3	Upgradation to restructured standard category during current FY	No. of Borrowers	13	1	4	-18	—	20	1	-2	-19	—
			(7)	(-3)	(-3)	(-1)	(0)	(14)	(-5)	(-8)	(-1)	(0)
		Amount outstanding	373.49	-2.06	-322.69	-48.74	—	649.61	-16.67	-259.29	-373.65	—
			(273.81)	(-229.23)	(-0.05)	(-44.52)	(0)	(976.76)	(-267.32)	(-664.92)	(-44.52)	(0)
		Provision thereon	13.90	—	-10.94	-2.96	—	22.20	-0.03	10.11	-32.28	—
			(0)	(1.17)	(-1.17)	(0)	(0)	(29.74)	(-0.32)	(-29.43)	(0)	(0)
4	Restructured Standard Advances which ceases to attract higher provisioning and/ or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of Borrowers	-51	—	—	—	-51	-146	—	—	—	-146
			(-385)	(0)	(0)	(0)	(-385)	(-473)	(0)	(0)	(0)	(-473)
		Amount outstanding	-3,065.11	—	—	—	-3,065.11	-4,646.12	—	—	—	-4,646.12
			(-1,301.54)	(0)	(0)	(0)	(-1,301.54)	(-3,345.5)	(0)	(0)	(0)	(-3,345.5)
		Provision thereon	-117.18	—	—	—	-117.18	-160.82	—	—	—	-160.82
			(-34.2)	(0)	(0)	(0)	(-34.2)	(-113.61)	(0)	(0)	(0)	(-113.61)
5	Downgradations of restructured accounts during current FY	No. of Borrowers	-203	-832	1,132	-97	—	-269	-842	1,195	-84	—
			(-1112)	(465)	(302)	(345)	(0)	(-1218)	(500)	(362)	(356)	(0)
		Amount outstanding	-5,583.94	291.06	5,332.77	-39.89	0.00	-15,685.24	-245.88	15,888.18	42.94	0.00
			(-2,429.7)	(-285.92)	(2,479.08)	(236.53)	(0)	(-6,333.37)	(-531.37)	(5,900.4)	(964.34)	(0)
		Provision thereon	-256.08	5.21	253.79	-2.92	—	-826.97	-61.12	910.99	-22.90	—
			(-58.4)	(0.24)	(54.22)	(3.94)	(0)	(-212.65)	(-22.45)	(166.16)	(68.95)	(0)
6	Write-offs of restructured accounts during current FY	No. of Borrowers	-239	-174	-224	-277	-914	-297	-217	-251	-289	-1,054
			(-1,969)	(-565)	(-278)	(-77)	(-2,889)	(-2,083)	(-582)	(-325)	(-88)	(-3,078)
		Amount outstanding	-2,537.47	-546.72	-1,223.85	-173.28	-4,481.31	-5,426.67	-714.53	-3,309.13	-318.91	-9,769.24
			(-1,897.74)	(-917.96)	(-4,624.5)	(-521.74)	(-7,961.95)	(-3,042.65)	(-1,386.89)	(-7,432.22)	(-1,273.83)	(-13,135.59)
		Provision thereon	-348.84	-15.28	-354.53	-0.00	-718.65	-703.40	-26.36	-819.66	-0.00	-1,549.42
			(-187.81)	(-178.86)	(-499.44)	(-48.93)	(-915.04)	(-515.35)	(-221.48)	(-1,036.05)	(-66.43)	(-1,839.3)
7	TOTAL Restructured Accounts as on 31st March, 2016 (Closing Position)	No. of Borrowers	301	520	2,336	90	3,247	549	569	2,533	104	3,755
			(676)	(1,273)	(1,351)	(463)	(3,763)	(1,112)	(1,370)	(1,505)	(476)	(4,463)
		Amount outstanding	23,122.42	578.73	9,210.75	146.17	33,058.07	39,055.37	1,243.16	25,404.71	413.95	66,117.19
			(27,437.97)	(770.82)	(5,140.13)	(305.27)	(33,654.17)	(55,842.83)	(2,139.61)	(12,378.2)	(868.03)	(71,228.67)
		Provision thereon	403.03	7.13	30.54	0.03	440.73	1,231.68	39.02	546.63	0.98	1,818.31
			(1,095.69)	(12.58)	(138.97)	(5.73)	(1,252.98)	(3,064.59)	(126.43)	(394.14)	(53.39)	(3,638.56)

Note:

1. Increase in outstanding of ₹4,731.40 crores (Previous Year ₹3,491.65 crores) included in Fresh Additions
2. Closure of ₹4,398.11 crores (Previous Year ₹3,794.15 crores) and decrease in Outstanding of ₹4,413.95 crores (Previous Year ₹3,827.03 crores) is included in Write off.
3. Total Column does not include standard assets moved out of higher provisioning.

c) **Details of Technical Write-offs and the recoveries made thereon:**

₹ In crores

Particulars	Current Year	Previous Year
i) Opening balance of Technical/Prudential written-off accounts as at April 1	Nil	Nil
ii) Add: Technical/Prudential write-offs	Nil	Nil
iii) Sub-total (A)	Nil	Nil
iv) Less: Recoveries made from previously technical/prudential written-off accounts during the year (B)	Nil	Nil
v) Closing balance as at March 31 (A-B)	Nil	Nil

d) **Details of financial assets sold to Securitisation Company (SC) / Reconstruction Company (RC) for Asset Reconstruction**

₹ In crores

Particulars	Current Year	Previous Year
i) No. of Accounts	46,399	5,904
ii) Aggregate value (net of provisions) of accounts sold to SC/RC	1,500.88	6,981.42
iii) Aggregate consideration*	1,007.63	4,406.07
iv) Additional consideration realized in respect of accounts transferred in earlier years	Nil	Nil
v) Aggregate gain /(loss) over net book value #	(493.25)	(2,575.35)

* SRs received as part of considerations have been recognised at lower of Net book Value/ Face Value as per RBI Guidelines.

\# Includes amount of ₹0.52 crores (Previous Year ₹7.52 crores) credited to charges/ (interest) account.

e) **Details of Investments in Security Receipts against NPAs sold to Securitisation Company (SC) / Reconstruction Company (RC)**

₹ In crores

	Backed by NPAs sold by the bank as underlying		Backed by the NPAs sold by other banks/ financial institutions / non-banking financial companies as underlying		Total	
Particulars	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year
Book Value of Investments in Security Receipts as on 31st March 2016	4,703.28	5,425.63	30.07	27.19	4,733.35	5,452.82
Book Value of Investments in Security Receipts made during the year	3,337.48	783.92	2.05	2.65	3,339.53	786.57

f) Excess Provision reversed to Profit & Loss Account on account of Sale of NPAs to Securitisation Company (SC) / Reconstruction Company (RC)

₹ In crores

Particulars	As at 31st March 2016	As at 31st March 2015
Excess Provision reversed to P&L Account in case of Sale of NPAs	11.70	177.42

g) Details of non-performing financial assets purchased

₹ In crores

Particulars	Current Year	Previous Year
1) (a) No. of Accounts purchased during the year	Nil	Nil
(b) Aggregate outstanding	Nil	Nil
2) (a) Of these, number of accounts restructured during the year	Nil	Nil
(b) Aggregate outstanding	Nil	Nil

h) Details of non-performing financial assets sold

₹ In crores

Particulars	Current Year	Previous Year
1) No. of Accounts sold	45,331	1,825
2) Aggregate outstanding	2,168.54	10,852.55
3) Aggregate consideration received	955.62	4,294.60

i) Provision on Standard Assets

The Provision on Standard Assets held by the Bank as on 31st March 2016 is as under:

₹ In crores

Particulars	As at 31st March 2016	As at 31st March 2015
Provision towards Standard Assets	11,188.59	9,018.36

j) Business Ratios

Particulars	Current Year	Previous Year
i. Interest Income as a percentage to Working Funds	7.27%	7.61%
ii. Non-interest income as a percentage to Working Funds	1.25%	1.13%
iii. Operating Profit as a percentage to Working Funds	1.92%	1.94%
iv. Return on Assets*	0.46%	0.68%
v. Business (Deposits plus advances) per employee (₹ in crores)	14.11	12.34
vi. Profit per employee (₹ in thousands)	470.27	602.00

** (on net-assets basis)*

k) Asset Liability Management: Maturity pattern of certain items of assets and liabilities as at 31st March 2016

₹ In crores

	Day 1	2 to 7 days	8 to 14 days	15 to 28 days	29 days to 3 months	Over 3 months & upto 6 months	Over 6 months & upto 1 year	Over 1 year & upto 3 years	Over 3 years & upto 5 years	Over 5 years	TOTAL
Deposits . .	32,254.69	31,224.38	18,964.10	26,786.00	91,505.07	142,701.27	329,433.98	406,204.54	159,306.39	492,342.02	1,730,722.44
	(57,851.81)	(26,454.50)	(18,078.37)	(26,277.89)	(93,336.98)	(139,455.40)	(228,347.53)	(374,749.76)	(168,526.42)	(443,714.53)	(1,576,793.25)
Advances . .	81,248.64	10,318.80	8,806.38	17,512.55	89,543.50	51,218.22	66,019.16	665,803.22	175,530.67	297,699.28	1,463,700.42
	(93,953.48)	(6,324.43)	(11,181.43)	(16,981.77)	(68,614.55)	(73,835.91)	(85,919.15)	(642,058.59)	(127,338.29)	(173,818.79)	(1,300,026.39)
Investments .	0.70	639.94	1,023.78	1,589.66	12,513.13	10,767.42	19,519.25	89,293.75	57,136.04	284,613.61	477,097.28
	—	829.89	3,679.12	5,522.64	17,160.51	15,385.63	17,946.26	69,307.56	80,867.00	271,060.14	481,758.75
Borrowings .	2,111.64	9,264.22	3,753.41	16,751.13	55,712.26	25,352.81	17,601.19	31,350.48	16,574.17	45,719.28	224,190.59
	(11,052.35)	(14,325.60)	(3,967.91)	(14,275.11)	(43,859.71)	(24,441.00)	(19,666.56)	(20,958.59)	(16,620.43)	(35,983.03)	(205,150.29)
Foreign Currency Assets # .	78,671.10	1,495.59	990.85	7,330.95	30,412.64	19,118.60	20,894.87	59,109.37	65,118.64	47,100.93	330,243.54
	(81,569.01)	(1,910.62)	(2,541.70)	(7,449.89)	(17,120.90)	(28,290.16)	(21,562.61)	(49,095.23)	(44,185.46)	(39,850.95)	(293,576.53)
Foreign Currency Liabilities $	28,569.54	9,803.31	4,293.14	20,231.25	62,665.39	36,463.27	52,236.94	59,586.10	32,578.57	10,116.16	316,543.67
	(33,991.88)	(14,174.37)	(4,943.86)	(17,085.47)	(52,563.89)	(34,153.04)	(39,677.83)	(52,273.23)	(34,428.42)	(7,999.68)	(291,291.67)

Foreign Currency Assets represent advances and investments (net of provision thereof)

$ Foreign Currency Liabilities represent borrowings and deposits.

(Figures in brackets are as at 31st March 2015)

18.5. Exposures

The Bank is lending to sectors, which are sensitive to asset price fluctuations.

a) Real Estate Sector

₹ In crores

Particulars	As at 31st March 2016	As at 31st March 2015
(I) Direct exposure		
i) Residential Mortgages	206,765.40	183,082.23
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented.	206,765.40	183,082.23
Of which (i) Individual housing loans up to ₹25 lakh in Metropolitan centres (Population < 10 lacs) and ₹15 lakh in other centres for purchase/construction of dwelling unit per family.	104,934.43	94,330.55
ii) Commercial Real Estate		
Lending secured by mortgages on Commercial Real Estates (office building, retail space, multi purpose commercial premises, multi family residential buildings, multi tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction etc. Exposures would also include non fund based (NFB) limits.	27,364.60	20,761.65
iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures:	877.99	614.48
a) Residential	877.99	603.28
b) Commercial Real Estate	0.00	11.20
(II) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	28,656.55	18,930.16
Total	**263,664.54**	**223,388.52**

b) Capital Market

₹ In crores

Particulars	As at 31st March 2016	As at 31st March 2015
1) Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt.	4,026.53	3,727.32
2) Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds.	5.36	8.11
3) Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security.	9,339.52	7,358.66
4) Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/ convertible bonds/convertible debentures/ units of equity oriented mutual funds does not fully cover the advances.	19.82	308.13
5) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers.	333.40	26.87
6) Loans sanctioned to corporates against the security of shares/bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources. . .	516.87	285.76
7) Bridge loans to companies against expected equity flows/issues.	Nil	Nil
8) Underwriting commitments taken up by the Banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds.	Nil	Nil
9) Financing to stockbrokers for margin trading. . . .	0.04	0.34
10) Exposures to Venture Capital Funds (both registered and unregistered)	1,618.44	1,873.05
Total Exposure to Capital Market	**15,859.98**	**13,588.24**

c) **Strategic Debt Restructuring (SDR) Scheme**

During the year the debt was converted into equity under SDR for the following borrowers:-

₹ In crores

S.No.	Name of Company	Amount of exposure Converted into equity
1	Coastal Projects Ltd	25.86
2	IVRCL	200.00
3	Monnet Ispat & Energy Limited	24.12

d) **Risk Category wise Country Exposure**

As per the extant RBI guidelines, the country exposure of the Bank is categorised into various risk categories listed in the following table. The country exposure (net funded) of the Bank for any country does not exceed 1% of its total assets except on USA, hence provision for the country exposure on USA has been made.

₹ In crores

	Net Funded Exposure		Provision held	
Risk Category	**As at 31st March 2016**	**As at 31st March 2015**	**As at 31st March 2016**	**As at 31st March 2015**
Insignificant	1.00	1.68	Nil	Nil
Very Low	69,481.69	52,107.06	78.60	56.89
Low	2,599.83	883.78	Nil	Nil
Low Medium	55,125.36	26,774.43	Nil	Nil
Medium	5,942.22	3,148.82	Nil	Nil
High	6,914.11	5,790.96	Nil	Nil
Very High	2,790.41	2,296.82	Nil	Nil
Restricted	4,182.70	3,390.41	Nil	Nil
Off-Credit	Nil	Nil	Nil	Nil
Total	**147,037.32**	**94,393.96**	**78.60**	**56.89**

e) Single Borrower and Group Borrower exposure limits exceeded by the Bank

The Bank had taken single borrower exposure in excess of prudential limit prescribed by RBI in the cases given below:

₹ In crores

Name of the Borrower	Exposure Ceiling	Exposure Sanctioned (Peak Level)	Period during which limit exceeded	Outstanding as on 31st March 2016
Bharat Heavy Electricals Ltd	23,672.22	25,021.05	April 2015 to March 2016	21,696.22

Note:-

1. No breach of Prudential Norms since Exposure on BHEL was well within the discretion given to banks by RBI for taking additional 5% exposure over the prudential limits.
2. Exposures on all the Borrower Groups were within the Prudential Norms during the year (F.Y. 2015-16).

f) Unsecured Advances

₹ In crores

Particulars	As at 31st March 2016	As at 31st March 2015
a) Total Unsecured Advances of the bank	315,779.06	259,109.61
i) Of which amount of advances outstanding against charge over intangible securities such as rights, licences, authority etc.	2,183.46	5,832.72
ii) The estimated value of such intangible securities (as in (i) above).	2,748.40	6,005.01

18.6. Miscellaneous

a) Disclosure of Penalties

₹Nil (Previous year ₹ Nil) imposed by RBI.

Financial Intelligence Unit- India, New Delhi imposed a penalty of ₹0.05 crores under Section 12 of the PMLA Act.

During the current year the Hong Kong Monetary Authority have taken disciplinary action under Section 21 of AML ordinance and imposed a penalty of HKD 7,543,000. (Previous year, the Authority of Prudential Control and Resolution, Paris, France has imposed a penalty of Euro 300,000 on SBI Paris branch).

b) Penalty for Bouncing of SGL forms

No penalty has been levied on the Bank for bouncing of SGL Forms.

18.7. **Disclosure Requirements as per the Accounting Standards**

a) **Employee Benefits**

i. **Defined Benefit Plans**

1. **Employee's Pension Plan and Gratuity Plan**

The following table sets out the status of the Defined Benefit Pension Plan and Gratuity Plan as per the actuarial valuation by the independent Actuary appointed by the Bank:-

₹ In crores

	Pension Plans		Gratuity Plan	
Particulars	**Current Year**	**Previous Year**	**Current Year**	**Previous Year**
Change in the present value of the defined benefit obligation				
Opening defined benefit obligation at 1st April 2015	51,616.04	45,236.99	7,182.35	6,838.07
Current Service Cost	843.64	897.53	128.33	108.88
Interest Cost	4,237.68	4,193.47	589.67	639.36
Past Service Cost (Vested Benefit)	—	—	—	—
Actuarial losses (gains)	6,212.17	4,537.90	451.06	533.18
Benefits paid	(1,511.96)	(1,346.63)	(1,019.27)	(937.14)
Direct Payment by Bank	(2,246.16)	(1,903.22)	—	—
Closing defined benefit obligation at 31st March 2016	59,151.41	51,616.04	7,332.14	7,182.35
Change in Plan Assets				
Opening fair value of Plan Assets as at 1st April 2015	49,387.97	42,277.01	7,110.25	7,090.59
Expected Return on Plan Assets	4,296.75	3,678.10	618.59	616.88
Contributions by employer	1,400.54	2493.62	213.24	233.88
Benefits Paid	(1,511.96)	(1,346.63)	(1,019.27)	(937.14)
Actuarial Gains/(Loss) on plan Assets	(162.93)	2,285.87	(43.04)	106.04
Closing fair value of plan assets as at 31st March 2016	53,410.37	49,387.97	6,879.77	7,110.25
Reconciliation of present value of the obligation and fair value of the plan assets				
Present Value of Funded obligation at 31st March 2016	59,151.41	51,616.04	7,332.14	7,182.35
Fair Value of Plan assets at 31st March 2016	53,410.37	49,387.97	6,879.77	7,110.25
Deficit/(Surplus)	5,741.04	2,228.07	452.37	72.10
Unrecognised Past Service Cost (Vested) Closing Balance	—	—	—	—
Unrecognised Transitional Liability Closing Balance	—	—	—	—
Net Liability/(Asset)	5,741.04	2,228.07	452.37	72.10

Particulars	Pension Plans		Gratuity Plan	
	Current Year	Previous Year	Current Year	Previous Year
Amount Recognised in the Balance Sheet				
Liabilities	59,151.41	51,616.04	7,332.14	7,182.35
Assets	53,410.37	49,387.97	6,879.77	7,110.25
Net Liability/(Asset) recognised in Balance Sheet	5,741.04	2,228.07	452.37	72.10
Unrecognised Past Service Cost (Vested) Closing Balance	—	—	—	—
Unrecognised Transitional Liability Closing Balance	—	—	—	—
Net Liability/(Asset)	5,741.04	2,228.07	452.37	72.10
Net Cost recognised in the profit and loss account				
Current Service Cost	843.64	897.53	128.33	108.88
Interest Cost	4,237.68	4,193.47	589.67	639.36
Expected return on plan assets	(4,296.75)	(3,678.10)	(618.59)	(616.88)
Past Service Cost (Amortised) Recognised	—	—	—	—
Past Service Cost (Vested Benefit) Recognised	—	—	—	—
Net actuarial losses (Gain) recognised during the year	6,375.10	2,252.03	494.10	427.14
Total costs of defined benefit plans included in Schedule 16 "Payments to and provisions for employees"	7,159.67	3,664.93	593.51	558.50
Reconciliation of expected return and actual return on Plan Assets				
Expected Return on Plan Assets	4,296.75	3,678.10	618.59	616.88
Actuarial Gain/(loss) on Plan Assets	(162.93)	2,285.87	(43.04)	106.04
Actual Return on Plan Assets	4,133.82	5,963.97	575.55	722.92
Reconciliation of opening and closing net liability/(asset) recognised in Balance Sheet				
Opening Net Liability/(Asset) as at 1st April 2015	2,228.07	2,959.98	72.10	(252.52)
Expenses as recognised in profit and loss account	7,159.67	3,664.93	593.51	558.50
Paid by Bank Directly	(2,246.16)	(1,903.22)	—	—
Debited to Other Provision	—	—	—	—
Recognised in Reserve	—	—	—	—
Employer's Contribution	(1,400.54)	(2,493.62)	(213.24)	(233.88)
Net liability/(Asset) recognised in Balance Sheet	5,741.04	2,228.07	452.37	72.10

Investments under Plan Assets of Pension Fund & Gratuity Fund as on 31st March 2016 are as follows:

Category of Assets	Pension Fund % of Plan Assets	Gratuity Fund % of Plan Assets
Central Govt. Securities	33.20%	23.13%
State Govt. Securities	22.59%	15.35%
Debt Securities, Money Market Securities and Bank Deposits	39.51%	29.82%
Insurer Managed Funds	—	27.79%
Others	4.70%	3.91%
Total	100.00%	100.00%

Principal actuarial assumptions

Particulars	Pension Plans		Gratuity Plans	
	Current year	Previous year	Current year	Previous year
Discount Rate	8.06%	8.21%	7.86%	8.21%
Expected Rate of return on Plan Asset	8.06%	8.70%	7.86%	8.70%
Salary Escalation	5.00%	5.00%	5.00%	5.00%
Attrition Rate	2.00%	2.00%	2.00%	2.00%
Mortality Table	IALM (2006-08) ULTIMATE	IALM (2006-08) ULTIMATE	IALM (2006-08) ULTIMATE	IALM (2006-08) ULTIMATE

Surplus/ Deficit in the Plan

Amount recognized in the Balance Sheet	Gratuity Plan Year ended 31-03-2012	Year ended 31-03-2013	Year ended 31-03-2014	Year ended 31-03-2015	Year ended 31-03-2016
Liability at the end of the year	6,462.82	7,050.57	6,838.07	7,182.35	7,332.14
Fair value of Plan Assets at the end of the year	5,251.79	6,549.31	7,090.59	7,110.25	6,879.77
Difference	1,211.03	501.26	(252.52)	72.10	452.37
Unrecognised Past Service Cost	300.00	200.00	—	—	—
Unrecognised Transition Liability	—	—	—	—	—
Amount Recognized in the Balance Sheet	911.03	301.26	(252.52)	72.10	452.37

Experience adjustment

Amount recognized in the Balance Sheet	Year ended 31-03-2012	Year ended 31-03-2013	Year ended 31-03-2014	Year ended 31-03-2015	Year ended 31-03-2016
On Plan Liability (Gain) /Loss.	367.64	459.56	210.19	(24.69)	326.09
On Plan Asset (Loss) /Gain	32.58	62.46	23.87	106.04	(43.09)

Surplus/Deficit in the plan

	Pension				
Amount recognized in the Balance Sheet	**Year ended 31-03-2012**	**Year ended 31-03-2013**	**Year ended 31-03-2014**	**Year ended 31-03-2015**	**Year ended 31-03-2016**
Liability at the end of the year	36,525.68	39,564.21	45,236.99	51,616.04	59,151.41
Fair value of Plan Assets at the end of the year	27,205.57	35,017.57	42,277.01	49,387.97	53,410.37
Difference	9,320.11	4,546.64	2,959.98	2,228.07	5,741.04
Unrecognised Past Service Cost	—	—	—	—	—
Unrecognised Transition Liability	—	—	—	—	—
Amount Recognized in the Balance Sheet	9,320.11	4,546.64	2,959.98	2,228.07	5,741.04

Experience adjustment

On Plan Liability (Gain)/ Loss	1,677.80	345.90	7,709.67	1,732.86	5,502.35
On Plan Asset (Loss)/Gain	130.16	419.58	335.40	2,285.87	(162.93)

The estimates of future salary growth, factored in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market. Such estimates are very long term and are not based on limited past experience / immediate future. Empirical evidence also suggests that in very long term, consistent high salary growth rates are not possible, which has been relied upon by the auditors.

2. **Employees' Provident Fund**

Actuarial valuation carried out in respect of interest shortfall in the Provident Fund Trust of the Bank, as per Deterministic Approach shows "Nil" liability, hence no provision is made in F.Y. 2015-16.

The following table sets out the status of Provident Fund as per the actuarial valuation by the independent Actuary appointed by the Bank:-

₹ in crores

Particulars	Provident Fund	
	Current Year	**Previous Year**
Change in the present value of the defined benefit obligation		
Opening defined benefit obligation at 1st April 2015	22,498.51	21,804.39
Current Service Cost	1,632.22	527.14
Interest Cost	2,026.72	1,869.09
Employee Contribution (including VPF)	1,983.67	661.66
Actuarial losses/(gains)	0.01	—
Benefits paid	(2,981.43)	(2,363.77)
Closing defined benefit obligation at 31st March 2016	25,159.70	22,498.51
Change in Plan Assets		
Opening fair value of Plan Assets as at 1st April 2015	23,197.82	22,366.42
Expected Return on Plan Assets	2,026.72	1,869.09
Contributions	3,615.89	1,188.80
Benefits Paid	(2,981.43)	(2,363.77)
Actuarial Gains/(Loss) on plan Assets	126.32	137.28
Closing fair value of plan assets as at 31st March 2016	25,985.32	23,197.82
Reconciliation of present value of the obligation and fair value of the plan assets		
Present Value of Funded obligation at 31st March 2016	25,159.70	22,498.51
Fair Value of Plan assets at 31st March 2016	25,985.32	23,197.82
Deficit/(Surplus)	(825.62)	(699.31)
Net Asset not recognised in Balance Sheet	825.62	699.31
Net Cost recognised in the profit and loss account		
Current Service Cost	1,632.22	527.14
Interest Cost	2,026.72	1,869.09
Expected return on plan assets	(2,026.72)	(1,869.09)
Interest shortfall reversed	—	—
Total costs of defined benefit plans included in Schedule 16 "Payments to and provisions for employees"	1,632.22	527.14
Reconciliation of opening and closing net liability/(asset) recognised in Balance Sheet		
Opening Net Liability as at 1st April 2015	—	—
Expense as above	1,632.22	527.14
Employer's Contribution	(1,632.22)	(527.14)
Net Liability/(Asset) Recognized In the Balance Sheet	—	—

Investments under Plan Assets of Provident Fund as on 31st March 2016 are as follows:

Category of Assets	Provident Fund % of Plan Assets
Central Govt. Securities	40.36%
State Govt. Securities	20.55%
Debt Securities, Money Market Securities and Bank Deposits.	34.15%
Insurer Managed Funds	—
Others	4.94%
Total	**100.00%**

Principal actuarial assumptions

Particulars	Provident Fund Current year	Provident Fund Previous year
Discount Rate	7.86%	8.21%
Guaranteed Return	8.75%	8.75%
Attrition Rate	2.00%	2.00%
Salary Escalation	5.00%	5.00%
Mortality Table	IALM (2006-08) ULTIMATE	IALM (2006-08) ULTIMATE

There is a guaranteed return applicable to liability under SBI Employees Provident Fund. Fund has been crediting the interest at the rate of interest as declared under Employees Provident Fund and Miscellaneous Provisions Act 1952 and hence treated as a defined benefit plan.

ii. Defined Contribution Plan:

The Bank has a Defined Contribution Pension Scheme (DCPS) applicable to all categories of officers and employees joining the Bank on or after August 1, 2010. The Scheme is managed by NPS Trust under the aegis of the Pension Fund Regulatory and Development Authority. National Securities Depository Limited has been appointed as the Central Record Keeping Agency for the NPS. During F.Y.2015-16, the Bank has contributed ₹191.18 crores (Previous Year ₹145.51 crores).

iii. Long Term Employee Benefits (Unfunded Obligation):

(a) Accumulating Compensated Absences (Privilege Leave)

The following table sets out the status of Accumulating Compensated Absences (Privilege Leave) as per the actuarial valuation by the independent Actuary appointed by the Bank:-

₹ in crores

Particulars	Accumulating Compensated Absences (Privilege Leave)	
	Current Year	Previous Year
Change in the present value of the defined benefit obligation		
Opening defined benefit obligation at 1st April 2015	3,756.50	3,079.47
Current Service Cost	230.94	135.55
Interest Cost	308.41	287.62
Actuarial losses/(gains)	590.64	681.86
Benefits paid	(511.00)	(428.00)
Closing defined benefit obligation at 31st March 2016	4,375.49	3,756.50
Net Cost recognised in the profit and loss account		
Current Service Cost	230.94	135.55
Interest Cost	308.41	287.62
Actuarial (Gain)/ Losses	590.64	681.86
Total costs of defined benefit plans included in Schedule 16 "Payments to and provisions for employees"	1,129.99	1,105.03
Reconciliation of opening and closing net liability/ (asset) recognised in Balance Sheet		
Opening Net Liability as at 1st April 2015	3,756.50	3,079.47
Expense as above	1,129.99	1,105.03
Employer's Contribution	—	—
Benefit paid directly by the Employer	(511.00)	(428.00)
Net Liability/(Asset) Recognized In the Balance Sheet	4,375.49	3,756.50

Principal actuarial assumptions

Particulars	Current year	Previous year
Discount Rate	7.86%	8.21%
Salary Escalation	5.00%	5.00%
Attrition Rate	2.00%	2.00%
Mortality Table	IALM (2006-08) ULTIMATE	IALM (2006-08) ULTIMATE

(b) Other Long Term Employee Benefits

Amount of ₹ (-) 7.62 Crores (Previous Year ₹ (-)40.05 Crores) is (written back)/ provided towards Other Long Term Employee Benefits as per the actuarial valuation by the independent Actuary appointed by the Bank and is included under the head "Payments to and Provisions for Employees" in Profit and Loss Account.

Details of Provisions made for various Other Long Term Employee Benefits during the year:

₹ in crores

Sr. No.	Long Term Employee Benefits	Current Year	Previous Year
1	Leave Travel and Home Travel Concession (Encashment/Availment)	10.00	(51.00)
2	Sick Leave	—	—
3	Silver Jubilee Award	(7.79)	1.71
4	Resettlement Expenses on Superannuation	(0.54)	6.22
5	Casual Leave	—	—
6	Retirement Award	(9.29)	3.02
	Total	**(7.62)**	**(40.05)**

Principal actuarial assumptions

Particulars	Current year	Previous year
Discount Rate	7.86%	8.21%
Salary Escalation	5.00%	5.00%
Attrition Rate	2.00%	2.00%
Mortality Table	IALM (2006-08) ULTIMATE	IALM (2006-08) ULTIMATE

b) Segment Reporting:

1. Segment Identification

I. Primary (Business Segment)

The following are the primary segments of the Bank:-

— Treasury

— Corporate / Wholesale Banking

— Retail Banking

— Other Banking Business

The present accounting and information system of the Bank does not support capturing and extraction of the data in respect of the above segments separately. However, based on the present internal, organisational and management reporting structure and the nature of their risk and returns, the data on the primary segments have been computed as under:

i. **Treasury -** The Treasury Segment includes the entire investment portfolio and trading in foreign exchange contracts and derivative contracts. The revenue of the treasury segment primarily consists of fees and gains or losses from trading operations and interest income on the investment portfolio.

ii. **Corporate / Wholesale Banking** - The Corporate / Wholesale Banking segment comprises the lending activities of Corporate Accounts Group, Mid Corporate Accounts Group and Stressed Assets Management Group. These include providing loans and transaction services to corporate and institutional clients and further include non-treasury operations of foreign offices.

iii. **Retail Banking** - The Retail Banking Segment comprises of branches in National Banking Group, which primarily includes Personal Banking activities including lending activities to corporate customers having banking relations with branches in the National Banking Group. This segment also includes agency business and ATMs.

iv. **Other Banking business** - Segments not classified under (i) to (iii) above are classified under this primary segment.

II. Secondary (Geographical Segment)

i) Domestic Operations - Branches/Offices having operations in India

ii) Foreign Operations - Branches/Offices having operations outside India and offshore Banking units having operations in India

III. Pricing of Inter-segmental Transfers

The Retail Banking segment is the primary resource mobilising unit. The Corporate/Wholesale Banking and Treasury segments are recipient of funds from Retail Banking. Market related Funds Transfer Pricing (MRFTP) is followed under which a separate unit called Funding Centre has been created. The Funding Centre notionally buys funds that the business units raise in the form of deposits or borrowings and notionally sell funds to business units engaged in creating assets.

IV. Allocation of Expenses, Assets and Liabilities

Expenses incurred at Corporate Centre establishments directly attributable either to Corporate / Wholesale and Retail Banking Operations or to Treasury Operations segment, are allocated accordingly. Expenses not directly attributable are allocated on the basis of the ratio of number of employees in each segment/ratio of directly attributable expenses.

The Bank has certain common assets and liabilities, which cannot be attributed to any segment , and the same are treated as unallocated.

2. Segment Information

Part A: Primary (Business Segments)

₹ In crores

Business Segment	Treasury	Corporate / Wholesale Banking	Retail Banking	Other Banking Operations	Total
Revenue #	49,572.24	63,983.80	76,531.65	—	190,087.69
	(41,095.95)	(61,445.90)	(71,248.38)	(—)	(173,790.23)
Unallocated Revenue #					1,755.98
					(1,182.73)
Total Revenue					191,843.67
					(174,972.96)
Result #	8,246.77	-11,466.70	18,967.10	—	15,747.17
	(7,554.38)	(-308.47)	(14,758.80)	(—)	(22,004.71)
Unallocated Income(+) / Expenses (-) - net #					(1,973.12)
					(-2,690.75)
Profit before tax #					13,774.05
					(19,313.96)
Tax #					3,823.40
					(6,212.39)
Extraordinary Profit #					Nil
					Nil
Net Profit #					9,950.65
					(13,101.57)
Other Information:					
Segment Assets *	507,261.72	874,603.31	857,750.16		2,239,615.19
	(499,202.87)	(783,263.69)	(750,148.40)	—	(2,032,614.96)
Unallocated Assets *					19,447.84
					(15,464.84)
Total Assets*					2,259,063.03
					(2,048,079.80)
Segment Liabilities *	292,776.35	796,500.56	965,368.29	—	2,054,645.20
	(308,334.71)	(688,172.53)	(868,722.52)	(—)	(1,865,229.76)
Unallocated Liabilities*					60,143.40
					(54,411.81)
Total Liabilities *					2,114,788.60
					(1,919,641.57)

(Figures in brackets are for previous year)

Part B: Secondary (Geographic Segments)

₹ In crores

	Domestic		Foreign		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Revenue #	178,322.68	164,304.43	11,765.01	9,485.80	190,087.69	173,790.23
Net Profit#	5,936.62	9,972.10	4,014.03	3,129.47	9,950.65	13,101.57
Assets *	1,930,789.77	1,747,311.56	328,273.26	300,768.24	2,259,063.03	2,048,079.80
Liabilities*	1,786,515.34	1,618,873.33	328,273.26	300,768.24	2,114,788.60	1,919,641.57

For the year ended 31st March 2016

* As at 31st March 2016

c) Related Party Disclosures:

3. Related Parties

A. SUBSIDIARIES

i. DOMESTIC BANKING SUBSIDIARIES

1. State Bank of Bikaner & Jaipur
2. State Bank of Hyderabad
3. State Bank of Mysore
4. State Bank of Patiala
5. State Bank of Travancore

ii. FOREIGN BANKING SUBSIDIARIES

1. SBI (Mauritius) Ltd.
2. SBI Canada Bank
3. State Bank of India (California)
4. Commercial Indo Bank Llc , Moscow
5. PT Bank SBI Indonesia
6. Nepal SBI Bank Ltd.
7. Bank SBI Botswana Limited

iii. DOMESTIC NON-BANKING SUBSIDIARIES

1. SBI Capital Markets Ltd.
2. SBI DFHI Ltd.
3. SBI Mutual Fund Trustee Company Pvt. Ltd.

4. SBICAP Securities Ltd.

5. SBICAP Ventures Ltd.

6. SBICAP Trustee Company Ltd.

7. SBI Cards and Payment Services Pvt. Ltd.

8. SBI Fund Management Pvt. Ltd.

9. SBI Life Insurance Company Ltd.

10. SBI Pension Funds Pvt. Ltd.

11. SBI — SG Global Securities Services Pvt. Ltd.

12. SBI Global Factors Ltd.

13. SBI General Insurance Company Ltd.

14. SBI Payment Services Pvt. Ltd.

15. SBI Foundation

v. FOREIGN NON-BANKING SUBSIDIARIES

1. SBICAP (UK) Ltd.

2. SBI Funds Management (International) Pvt. Ltd.

3. SBICAP (Singapore) Ltd.

4. State Bank of India Servicos Limitada

B. JOINTLY CONTROLLED ENTITIES

1. GE Capital Business Process Management Services Pvt. Ltd

2. C-Edge Technologies Ltd.

3. Macquarie SBI Infrastructure Management Pte. Ltd.

4. Macquarie SBI Infrastructure Trustee Ltd.

5. SBI Macquarie Infrastructure Management Pvt. Ltd.

6. SBI Macquarie Infrastructure Trustee Pvt. Ltd.

7. Oman India Joint Investment Fund — Management Company Pvt. Ltd.

8. Oman India Joint Investment Fund — Trustee Company Pvt. Ltd.

C. ASSOCIATES

i. Regional Rural Banks

1. Andhra Pradesh Grameena Vikas Bank
2. Arunachal Pradesh Rural Bank
3. Chhattisgarh Rajya Gramin Bank
4. Ellaquai Dehati Bank
5. Meghalaya Rural Bank
6. Langpi Dehangi Rural Bank
7. Madhyanchal Gramin Bank
8. Mizoram Rural Bank
9. Nagaland Rural Bank
10. Purvanchal Bank
11. Saurashtra Gramin Bank
12. Utkal Grameen Bank
13. Uttarakhand Gramin Bank
14. Vananchal Gramin Bank
15. Rajasthan Marudhara Gramin Bank
16. Telangana Grameena Bank
17. Kaveri Grameena Bank
18. Malwa Gramin Bank

ii. Others

1. SBI Home Finance Ltd.(under liquidation)
2. The Clearing Corporation of India Ltd.
3. Bank of Bhutan Ltd.

D. Key Management Personnel of the Bank

1. Smt. Arundhati Bhattacharya, Chairman
2. Shri P. Pradeep Kumar Managing Director (Corporate Banking Group) (upto 31.10.2015)
3. Shri V.G. Kannan, Managing Director (Associates & Subsidiaries)

4. Shri B. Sriram

   - Managing Director (National Banking Group) (upto 01.11.2015)

   - Managing Director (Corporate Banking Group) (from 02.11.2015)

5. Shri Rajnish Kumar

   - Managing Director (Compliance & Risk) (from 26.05.2015 to 01.11.2015)

   - Managing Director (National Banking Group) (from 02.11.2015)

6. Shri P. K. Gupta, Managing Director (Compliance & Risk) (from 02.11.2015)

4. Parties with whom transactions were entered into during the year

No disclosure is required in respect of related parties, which are "State-controlled Enterprises" as per paragraph 9 of Accounting Standard (AS) 18. Further, in terms of paragraph 5 of AS 18, transactions in the nature of Banker-Customer relationship have not been disclosed including those with Key Management Personnel and relatives of Key Management Personnel.

5. **Transactions and Balances**

₹ In crores

Particulars	Associates/ Joint Ventures	Key Management Personnel & their relatives	Total
A. Outstanding as at 31st March			
Borrowings	Nil	Nil	Nil
	(Nil)	(Nil)	(Nil)
Deposit	39.07	Nil	39.07
	(35.8)	(Nil)	(35.80)
Other Liabilities	Nil	Nil	Nil
	(0.02)	(Nil)	(0.02)
Balance with Banks	Nil	Nil	Nil
	(2.12)	(Nil)	(2.12)
Advance	Nil	Nil	Nil
	(Nil)	(Nil)	(Nil)
Investment	41.55	Nil	41.55
	(41.55)	(Nil)	(41.55)
Non-fund commitments (LCs/BGs)	Nil	Nil	Nil
	(Nil)	(Nil)	(Nil)
B. Maximum outstanding during the year			
Borrowings	Nil	Nil	Nil
	(Nil)	(Nil)	(Nil)
Deposit	51.95	Nil	51.95
	(57.06)	(Nil)	(57.06)
Other Liabilities	0.02	Nil	0.02
	(0.02)	(Nil)	(0.02)
Balance with Banks	2.12	Nil	2.12
	(5.94)	(Nil)	(5.94)
Advance	Nil	Nil	Nil
	(Nil)	(Nil)	(Nil)
Investment	41.55	Nil	41.55
	(41.55)	(Nil)	(41.55)
Non-fund commitments (LCs/BGs)	Nil	Nil	Nil
	(Nil)	(Nil)	(Nil)
C. During the year ended 31st March			
Interest Income	Nil	Nil	Nil
	(Nil)	(Nil)	(Nil)
Interest expenditure	1.86	Nil	1.86
	(2.78)	(Nil)	(2.78)
Income earned by way of dividend	27.32	Nil	27.32
	(33.82)	(Nil)	(33.82)
Other Income	Nil	Nil	Nil
	(Nil)	(Nil)	(Nil)
Other expenditure	Nil	Nil	Nil
	(3.09)	(Nil)	(3.09)
Profit/(loss) on sale of land/building and other assets	Nil	Nil	Nil
	(Nil)	(Nil)	(Nil)
Management contracts	Nil	1.58	1.58
	(Nil)	(1.03)	(1.03)

Figures in brackets are for Previous Year

There are no materially significant related party transactions during the year.

d) Liability for Operating Leases

Premises taken on operating lease are given below:

Operating leases primarily comprise office premises and staff residences, which are renewable at the option of the Bank.

a. Liability for Premises taken on Non-Cancellable operating lease are given below

₹ In crores

Particulars	As at 31st March 2016	As at 31st March 2015
Not later than 1 year	277.70	191.05
Later than 1 year and not later than 5 years	1,165.78	674.79
Later than 5 years	311.17	178.17
Total*	**1,754.65**	**1,044.01**

b. Amount of lease payments recognised in the P&L Account for operating leases is ₹2,110.27 crores (₹1,659.09 crores)

e) Earnings per Share

The Bank reports basic and diluted earnings per equity share in accordance with Accounting Standard 20 - "Earnings per Share". "Basic earnings" per share is computed by dividing net profit after tax by the weighted average number of equity shares outstanding during the year.

Particulars	Current Year	Previous Year
Basic and diluted		
Number of Equity Shares outstanding at the beginning of the year	7,465,730,920	7,465,730,920
Number of Equity Shares issued during the year	297,046,122	0
Number of Equity Shares outstanding at the end of the year	7,762,777,042	7,465,730,920
Weighted average number of equity shares used in computing basic earnings per share	7,665,568,627	7,465,730,920
Weighted average number of shares used in computing diluted earnings per share	7,665,568,627	7,466,006,199
Net profit (₹ In crores)	9,950.65	13,101.57
Basic earnings per share (₹)	12.98	17.55
Diluted earnings per share (₹)	12.98	17.55*
Nominal value per share (₹)	1	1

* Diluted earnings per share is computed taking into consideration the amount received for equity shares allotted on 1st April 2016.

f) Accounting for Taxes on Income

i. Current Tax:-

During the year the Bank has debited to Profit & Loss Account ₹4,003.27crores (Previous Year ₹6,719.11 crores) on account of current tax. The Current Tax in India has been calculated in accordance with the provisions of Income Tax Act 1961 after taking appropriate relief for taxes paid in foreign jurisdictions.

ii. Deferred Tax:-

During the year, ₹245.47 crores has been debited to Profit and Loss Account (Previous Year ₹477.56 crores Credited) on account of deferred tax.

iii. The Bank has a net Deferred Tax Liability (DTL) of ₹2,212.44 crores (Previous Year net DTL of ₹1,987.14 Crores), which comprises of DTL of ₹2,684.96 crores (Previous Year ₹2,353.12 crores) included under 'Other Liabilities and Provisions' and Deferred Tax Assets (DTA) of ₹472.52 crores (Previous Year ₹365.98 crores) included under 'Other Assets'. The major components of DTA and DTL is given below:

₹ In crores

Particulars	As at 31st March 2016	As at 31st March 2015
Deferred Tax Assets (DTA)		
Provision for Defined Benefit Schemes on account of Wage Revision	—	451.63
Provision for long term employee Benefits	1,605.78	1,831.55
Provision/ Additional Provision on specified Restructured Standard Assets/Standard Assets over the specified RBI Prudential Norms	1,791.21	1,132.65
Provision for Other Assets	238.29	—
On Foreign Currency Translation Reserve	262.27	—
Amortisation of Discount	11.79	—
On account of Foreign Offices	472.52	365.98
Total	**4,381.86**	**3,781.81**
Deferred Tax Liabilities (DTL)		
Depreciation on Fixed Assets	174.61	155.22
Interest accrued but not due on Securities	3,476.39	3,286.61
Special Reserve created u/s 36(1)(viii) of Income Tax Act 1961	2,941.40	2,325.33
On account of Foreign Offices	1.90	1.79
Total	**6,594.30**	**5,768.95**
Net Deferred Tax Assets/(Liabilities)	**(2,212.44)**	**(1,987.14)**

g) Investments in Jointly Controlled Entities

Investments include ₹38.43 crores (Previous Year ₹38.28 crores) representing Bank's interest in the following jointly controlled entities

Sr. No	Name of the Company	Amount ₹ In crores	Country of Residence	Holding %
1	GE Capital Business Process Management Services Pvt. Ltd.	9.44 (9.44)	India	40%
2	C - Edge Technologies Ltd.	4.90 (4.90)	India	49%
3	Maquarie SBI Infrastructure Management Pte. Ltd.	2.25 (2.25)	Singapore	45%
4	SBI Macquarie Infrastructure Management Pvt. Ltd.	18.57 (18.57)	India	45%
5	SBI Macquarie Infrastructure Trustee Pvt. Ltd.	0.03 (0.03)	India	45%
6	Macquarie SBI Infrastructure Trustee Ltd. #	0.93 (0.78)	Bermuda	45%
7	Oman India Joint Investment Fund — Management Company Pvt. Ltd.	2.30 (2.30)	India	50%
8	Oman India Joint Investment Fund — Trustee Company Pvt. Ltd.	0.01 (0.01)	India	50%

\# Indirect holding through Maquarie SBI Infra Management Pte. Ltd., against which the Company has made 100% provision. (Figures in brackets relate to previous year)

As required by AS 27, the aggregate amount of the assets, liabilities, income, expenses, contingent liabilities and commitments related to the Bank's interests in jointly controlled entities are disclosed as under:

₹ In crores

Particulars	As at 31st March 2016	As at 31st March 2015
Liabilities		
Capital & Reserves	174.57	159.14
Deposits	—	—
Borrowings	5.31	8.15
Other Liabilities & Provisions	101.07	76.93
Total	**280.95**	**244.22**
Assets		
Cash and Balances with RBI	0.01	—
Balances with Banks and money at call and short notice	114.50	96.36
Investments	9.00	9.69
Advances	—	
Fixed Assets	31.02	35.75
Other Assets	126.42	102.42
Total	**280.95**	**244.22**
Capital Commitments		
Other Contingent Liabilities	6.04	3.51
Income		
Interest earned	6.75	6.09
Other income	328.38	285.04
Total	**335.13**	**291.13**
Expenditure		
Interest expended	0.96	1.23
Operating expenses	260.30	223.70
Provisions & contingencies	22.18	18.73
Total	**283.44**	**243.66**
Profit	**51.69**	**47.47**

h) Impairment of Assets

In the opinion of the Bank's Management, there is no indication of impairment to the assets during the year to which Accounting Standard 28 — "Impairment of Assets" applies.

i) Description of Contingent Liabilities (AS-29)

Sr. No.	Particulars	Brief Description
1	Claims against the Bank not acknowledged as debts	The Bank is a party to various proceedings in the normal course of business. The Bank does not expect the outcome of these proceedings to have a material adverse effect on the Bank's financial conditions, results of operations or cash flows. The Bank is also a party to various taxation matters in respect of which appeals are pending.
2	Liability on partly paid-up investments/ Venture Funds	This item represents amounts remaining unpaid towards liability for partly paid investments. This also includes undrawn commitments for Venture Capital Funds.
3	Liability on account of outstanding forward exchange contracts	The Bank enters into foreign exchange contracts in its normal course of business to exchange currencies at a pre-fixed price at a future date. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. The notional amounts are recorded as Contingent Liabilities. With respect to the transactions entered into with its customers, the Bank generally enters into off-setting transactions in the interbank market. This results in generation of a higher number of outstanding transactions, and hence a large value of gross notional principal of the portfolio, while the net market risk is lower.
4	Guarantees given on behalf of constituents, acceptances, endorsements and other obligations	As a part of its commercial Banking activities, the Bank issues documentary credits and guarantees on behalf of its customers. Documentary credits enhance the credit standing of the customers of the Bank. Guarantees generally represent irrevocable assurances that the Bank will make payment in the event of the customer failing to fulfil its financial or performance obligations.
5	Other items for which the Bank is con tingently liable.	The Bank enters into currency options, forward rate agreements, currency swaps and interest rate swaps with inter-Bank participants on its own account and for customers. Currency swaps are commitments to exchange cash flows by way of interest/principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. The notional amounts that are recorded as Contingent Liabilities, are typically amounts used as a benchmark for the calculation of the interest component of the contracts. Further, these also include estimated amount of contracts remaining to be executed on capital account and not provided for, letter of comforts issued by the Bank on behalf of Associates & Subsidiaries, Bank's Liability under Depositors Education and Awareness Fund A/c and other sundry contingent liabilities.

The Contingent Liabilities mentioned above are dependent upon the outcome of Court/ arbitration/out of Court settlements, disposal of appeals, the amount being called up, terms of contractual obligations, devolvement and raising of demand by concerned parties, as the case may be.

j) Movement of provisions against Contingent Liabilities

₹ In crores

Particulars	Current Year	Previous Year
Opening balance	443.58	327.31
Additions during the year	190.90	206.59
Amount utilised during the year	6.00	26.66
Unused amount reversed during the year	227.38	63.66
Closing balance	**401.10**	**443.58**

18.8. Additional Disclosures

1. Provisions and Contingencies recognised in Profit and Loss Account

₹ In crores

Particulars	Current Year	Previous Year
Provision for Taxation		
- Current Tax	4,003.27	6,719.11
- Deferred Tax	245.47	-477.56
- Write Back of Income Tax	-425.34	-39.16
- Other Tax	—	10.00
Provision for Depreciation on Investments	149.56	-590.07
Withdrawal from Counter Cyclical Buffer	-1,149.00	-382.00
Provision on Non-Performing Assets	29,880.77	17,487.41
Provision on Restructured Assets	-1,747.63	802.65
Provision on Standard Assets	2,157.55	2,435.37
Other Provisions	192.50	469.95
Total	**33,307.15**	**26,435.70**

2. Floating Provisions

₹ In crores

Particulars	Current Year	Previous Year
Opening Balance	25.14	25.14
Addition during the year	—	—
Draw down during the year	—	—
Closing Balance	25.14	25.14

3. Withdrawal from Reserves

During the year, no withdrawal has been made from reserves.

4. Status of complaints

A. Customer complaints

Particulars	As at 31st March 2016	As at 31st March 2015
No. of complaints pending at the beginning of the year	30,896	21,413
No. of complaints received during the year	1,222,250	1,634,042
No. of complaints redressed during the year	1,237,811	1,624,559
No. of complaints pending at the end of the year	15,335	30,896

Does not include complaints redressed within one working day.

B. Awards passed by the Banking Ombudsman

Particulars	Current Year	Previous Year
No. of unimplemented Awards at the beginning of the year	15	9
No. of Awards passed by the Banking Ombudsman during the year	16	39
No. of Awards implemented during the year	31	33
No. of unimplemented Awards at the end of the year	0	15

5. **Payment to Micro, Small & Medium Enterprises under the Micro, Small & Medium Enterprises Development Act, 2006**

As per the information available with the Bank, there has been no reported cases of delayed payments of the principal amount or interest due thereon to Micro, Small & Medium Enterprises.

6. **Letter of Comfort issued for Subsidiaries**

The Bank has issued no letters of comfort outstanding on behalf of its subsidiaries. as on 31st March 2016. (Previous Year: ₹715.16 Crores).

7. **Provisioning Coverage Ratio (PCR):**

The Provisioning to Gross Non-Performing Assets ratio of the Bank as on 31st March 2016 is 60.69 % (Previous Year 69.13%).

8. **Fees/remuneration received in respect of the bancassurance business**

₹ In crores

Name of Company	Current Year	Previous Year
SBI Life Insurance Co. Ltd.	379.94	281.16
SBI General Insurance Co. Ltd.	82.25	62.86
Manu Life Financial Limited and NTUC	1.65	0.57
Tokio Marine, ACE	0.16	0.21
TOTAL	464.00	344.80

9. **Concentration of Deposits, Advances Exposures & NPAs (computed as per directions of RBI)**

a) **Concentration of Deposits**

₹ In crores

Particulars	Current Year	Previous Year
Total Deposits of twenty largest depositors	113,783.78	101,148.22
Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank	6.57%	6.41%

b) **Concentration of Advances**

₹ In crores

Particulars	Current Year	Previous Year
Total Advances to twenty largest borrowers	234,099.47	206,512.83
Percentage of Advances to twenty largest borrowers to Total Advances of the Bank	15.51%	15.46%

c) **Concentration of Exposures**

₹ In crores

Particulars	Current Year	Previous Year
Total Exposure to twenty largest borrowers/customers	351,117.08	345,152.13
Percentage of Exposures to twenty largest barrowers/customers to Total Exposure of the Bank on borrowers/customers	14.93%	15.88%

d) Concentration of NPAs

₹ In crores

Particulars	Current Year	Previous Year
Total Exposure to top four NPA accounts	26,863.55	1,839.51

10. Sector —wise NPAs

₹ In crores

		Current Year			Previous year		
Sr. No.	Sector	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A	**Priority Sector**						
1	Agriculture & allied activities . .	126,455.87	9,839.11	7.78	112,705.39	10,216.74	9.06
2	Industry (Micro & Small, Medium and Large)	91,144.42	11,602.30	12.73	65,699.72	7,087.13	10.79
3	Services	32,341.80	1,747.36	5.40	26,146.41	1,699.94	6.50
4	Personal Loans	89,625.80	1,033.79	1.15	90,352.32	1,202.51	1.33
	Sub-total (A)	**339,567.89**	**24,222.56**	**7.13**	**294,903.84**	**20,206.32**	**6.85**
B	**Non Priority Sector**						
1	Agriculture & allied activities . .	5,644.32	496.94	8.80	5,024.05	199.91	3.98
2	Industry (Micro & Small, Medium and Large)	722,102.72	67,674.75	9.37	666,218.20	31,152.77	4.68
3	Services	190,365.38	4,355.62	2.29	175,819.02	4,014.14	2.28
4	Personal Loans	251,819.51	1,422.93	0.57	1,93,458.59	1,152.20	0.60
	Sub-total (B)	**1,169,931.93**	**73,950.24**	**6.32**	**1,040,519.86**	**36,519.02**	**3.51**
C	**Total (A+B). . . . .**	**1,509,499.82**	**98,172.80**	**6.50**	**1,335,423.70**	**56,725.34**	**4.25**

11. Overseas Assets, NPAs and Revenue

₹ In crores

Sr. No.	Particulars	Current Year	Previous Year
1	Total Assets	328,273.26	300,768.24
2	Total NPAs (Gross).	7,785.13	2,618.65
3	Total Revenue.	11,765.01	9,485.80

12. Off-balance Sheet SPVs sponsored

Name of the SPV Sponsored	Domestic	Overseas
Current Year	NIL	NIL
Previous Year	NIL	NIL

13. Disclosure relating to Securitisation

₹ In crores

Sr. No.	Particulars	Number	Amount
1.	No. of the SPVs sponsored by the Bank for securitization transactions	Nil	Nil
2.	Total amount of securitized assets as per the books of the SPVs sponsored by the bank	Nil	Nil
3.	Total amount of exposures retained by the bank to comply with MMR as on the date of balance sheet		
	a) Off-balance sheet exposures	Nil	Nil
	i. First Loss		
	ii. Others		
	b) On-balance sheet exposures	Nil	Nil
	i. First Loss		
	ii. Others		
4.	Amount of exposures to securitisation transactions other than MMR		
	a) Off-balance sheet exposures	Nil	Nil
	i. Exposures to own securitisations		
	1. First Loss		
	2. Others		
	ii. Exposures to third party securitisations	Nil	Nil
	1. First Loss		
	2. Others		
	b) On-balance sheet exposures		
	i. Exposures to own securitisations	Nil	Nil
	1. First Loss		
	2. Others		
	ii. Exposures to third party securitisations	Nil	Nil
	1. First Loss		
	2. Others		

14. Credit Default Swaps

₹ In crores

Sr.No.	Particulars	Current Year: As Protection Buyer	Current Year: As Protection Seller	Previous Year: As Protection Buyer	Previous Year: As Protection Seller
1.	No. of transactions during the year				
	a) of which transactions that are/may be physically settled	Nil	Nil	Nil	Nil
	b) cash settled	Nil	Nil	Nil	Nil
2.	Amount of protection bought / sold during the year				
	a) of which transactions which are/ may be physically settled	Nil	Nil	Nil	Nil
	b) cash settled..................	Nil	Nil	Nil	Nil
3.	No. of transactions where credit event payment was received / made during the year				
	a) pertaining to current year's transactions	Nil	Nil	Nil	Nil
	b) pertaining to previous year(s)' transactions..................	Nil	Nil	Nil	Nil
4.	Net income/ profit (expenditure/ loss) in respect of CDS transactions during year-to-date:				
	a) premium paid / received	Nil	Nil	Nil	Nil
	b) Credit event payments:				
	• made (net of the value of assets realised)	Nil	Nil	Nil	Nil
	• received (net of value of deliverable obligation)	Nil	Nil	Nil	Nil
5.	Outstanding transactions as on March 31:				
	a) No. of Transactions	Nil	Nil	Nil	Nil
	b) Amount of protection	Nil	Nil	Nil	Nil
6.	Highest level of outstanding transactions during the year:				
	a) No. of Transactions (as on 1st April)	Nil	Nil	Nil	Nil
	b) Amount of protection (as on 1st April)	Nil	Nil	Nil	Nil

15. Intra-Group Exposures:

₹ In crores

Particulars		Current Year	Previous Year
i	Total amount of intra-group exposures	9,251.34	15,442.79
ii	Total amount of top-20 intra-group exposures..........	9,251.34	15,442.79
iii	Percentage of intra-group exposures to total exposure of the bank on borrowers / customers	0.39	0.71
iv	Details of breach of limits on intra-group exposures and regulatory action thereon	Nil	Nil

16. Unclaimed Liabilities transferred to Depositor Education and Awareness Fund (DEAF)

₹ In crores

Particulars	Current Year	Previous Year
Opening balance of amounts transferred to DEAF	757.14	Nil
Add : Amounts transferred to DEAF during the year . .	123.78	757.14
Less : Amounts reimbursed by DEAF towards claims. .	Nil	Nil
Closing balance of amounts transferred to DEAF.	880.92	757.14

17. Unhedged Foreign Currency Exposure

The Bank in accordance with RBI Circular No. DBOD.No.BP.BC.85/21.06.200/2013-14 dated January 15, 2014 on 'Capital and Provisioning Requirements for Exposure to entites has provided for Unhedged Foreign Currency Exposure'. An amount of ₹161.21 crores (Previous Year ₹293.08 crores) was held as on 31st March 2016 for towards Currency Induced Credit Risk and Capital allocated for Currency Induced Credit Risk amounting to ₹237.62 crores (Previous Year ′408.44 crores).

18. Liquidity Coverage Ratio (LCR):

a. Standalone LCR

Liquidity Coverage Ratio (LCR) standard has been introduced with the objective that a bank maintains an adequate level of unencumbered High Quality Liquid Assets (HQLAs) that can be converted into cash to meet its liquidity needs for a 30 calendar day time horizon under a significantly severe liquidity stress scenario.

$$\text{LCR has been defined as: } \frac{\text{Stock of high quality liquid assets (HQLAs)}}{\text{Total net cash outflows over the next 30 calendar days}}$$

Liquid assets comprise of high quality assets that can be readily encashed or used as collateral to obtain cash in a range of stress scenarios. There are two categories of assets included in the stock of HQLAs, viz. Level 1 and Level 2 assets. Level 1 assets are with 0% haircut while in Level 2, 2A assets are with a minimum 15% haircut and Level 2B Assets, with a minimum 50% haircut. The total net cash outflows is the total expected cash outflows minus total expected cash inflows for the subsequent 30 calendar days. Total expected cash outflows are calculated by multiplying the outstanding balances of various categories or types of liabilities and off-balance sheet commitments by the rates at which they are expected to run off or be drawn down. Total expected cash inflows are calculated by multiplying the outstanding balances of various categories of contractual receivables by the rates at which they are expected to flow in up to an aggregate cap of 75% of total expected cash outflows.

Quantitative Disclosure:

₹ In crores

LCR COMPONENTS		FY - 2015-16 Total Unweighted Value (Avg)	FY - 2015-16 Total Weighted Value(Avg)	Q4 - 2015-16 Total Unweighted Value (Avg)	Q4 - 2015-16 Total Weighted Value (Avg)
HIGH QUALITY LIQUID ASSETS (HQLA)					
1	Total High Quality Liquid Assets (HQLA)		239,970		250,927
CASH OUTFLOWS					
2	Retail Deposits and deposits from small business customers, of which:				
	(i) Stable deposits	142,631	7,132	161,391	8,070
	(ii) Less Stable Deposits	1,066,580	106,658	1,126,491	112,649
3	Unsecured wholesale funding, of which:				
	(i) Operational deposits (all counterparties)	565	141	0	0
	(ii) Non-operational deposits (all counterparties)	377,180	227,113	372,702	227,461
	(iii) Unsecured debt	0	0	0	0
4	Secured wholesale funding	26,129	13	59,444	29
5	Additional requirements, of which				
	(i) Outflows related to derivative exposures and other collateral requirements	70,333	70,333	76,881	76,881
	(ii) Outflows related to loss of funding on debt products	0	0	0	0
	(iii) Credit and liquidity facilities	185,287	26,327	208,731	29,801
6	Other contractual funding obligations	12,445	12,445	14,283	14,283
7	Other contingent funding obligations	371,624	17,989	365,189	15,889
8	TOTAL CASH OUTFLOWS	2,252,774	468,151	2,385,112	485,063
CASH INFLOWS					
9	Secured lending (eg. Reverse repos)	3,324	0	312	0
10	Inflows from fully performing exposures	134,289	117,996	141,656	123,564
11	Other cash inflows	39,325	31,188	41,950	32,873
12	**TOTAL CASH INFLOWS**	**176,938**	**149,184**	**183,918**	**156,437**
13	**TOTAL HQLA**		**239,970**		**250,927**
14	**TOTAL NET CASH OUTFLOWS**		**318,967**		**328,626**
15	**LIQUIDITY COVERAGE RATIO (%)**		**75.23%**		**76.36%**

The above LCR disclosure template shows the average of the un-weighted and weighted value of LCR components for the State Bank of India including its Foreign Branches. The averages are computed based on the month-end values for;

a. the entire Financial Year 2015-16

b. the quarter ended March 2016

Both the positions are above the minimum 70% prescribed by RBI (60% upto December 2015 and 70% from 1st January 2016). Bank's LCR comes out to 75.23% based on average of twelve months (FY15-16) and 76.36% based on average of last three months (Q4 FY15-16). The average HQLA for the Q4 FY15-16 was ₹250,927 crores, of which Level 1 assets constituted on an average 92% of total HQLA and cash, excess CRR, and 0% risk weighted Marketable securities issued/guaranteed by foreign sovereigns. Government securities consisting of 88% of Total Level 1 Assets. The net cash outflows position has gone up in the Q4 FY15-16 on account of growth of Balance Sheet size. Derivative exposures are considered insignificant due to almost matching inflows and outflows position. During the last quarter USD was the significant Foreign Currency which constituted more than 5% of the Balance Sheet of the Bank. Average USD LCR was 82% for Q4 FY15-16.

Liquidity Management in the Bank is driven by the ALM Policy, approved by the Bank's Board. The Domestic and International Treasuries are reporting to the Asset Liability Management Committee (ALCO). The ALCO has been empowered by the Bank's Board to formulate the Bank's funding strategies to ensure that the funding sources are well diversified and is consistent with the operational requirements of the Bank. All the major decisions of ALCO are being reported to the Bank's Board periodically. In addition to monthly LCR reporting, Bank prepares daily Structural Liquidity statements to assess the liquidity needs of the Bank on an ongoing basis. Further, Dynamic Liquidity Reports are also being prepared periodically to forecast liquidity requirements and to strategize accordingly.

The Bank has been maintaining HQLA mainly in the form of SLR investments over and above the mandatory requirements. Retail deposits constitute major portion of total funding sources, and such funding sources are well diversified. Management is of the view that the Bank has sufficient liquidity cover to meet its likely future short term requirements.

b. Consolidated LCR

The RBI through a supplementary guideline issued on March 31, 2015 had stipulated the implementation of LCR at a consolidated level from January 1, 2016. Accordingly, SBI Group has been computing the Consolidated LCR.

The entities covered in the Group LCR are six Domestic Banking and seven Overseas Banking Subsidiaries. These are State Bank of India, State Bank of Bikaner and Jaipur, State Bank of Hyderabad, State Bank of Patiala, State Bank of Mysore, State Bank of Travancore, Bank SBI Botswana Ltd, Commercial Indo Bank LLC, Moscow, Nepal SBI Bank Ltd., State Bank of India (California) Ltd, SBI Canada Bank, State Bank of India (Mauritius) Ltd, PT Bank SBI Indonesia.

SBI Group LCR comes out to 77.21% as on 31st March 2016 based on average of three months as under:

₹ In crores

LCR COMPONENTS			Total Unweighted Value (Average)	Total Weighted Value (Average)
HIGH QUALITY LIQUID ASSETS (HQLA)				
1	Total High Quality Liquid Assets (HQLA)			325,539
CASH OUTFLOWS				
2	Retail Deposits and deposits from small business customers, of which:			
	(i)	Stable deposits	242,670	12,134
	(ii)	Less Stable Deposits	1,419,909	141,991
3	Unsecured wholesale funding, of which:			
	(i)	Operational deposits (all counterparties)	4,540	1,127
	(ii)	Non-operational deposits (all counterparties)	494,122	287,505
	(iii)	Unsecured debt	0	0
4	Secured wholesale funding		66,768	5,872
5	Additional requirements, of which			
	(i)	Outflows related to derivative exposures and other collateral requirements	99,420	99,420
	(ii)	Outflows related to loss of funding on debt products	0	0
	(iii)	Credit and liquidity facilities	2,18,045	33,777
6	Other contractual funding obligations		22,415	22,415
7	Other contingent funding obligations		453,671	17,154
8	TOTAL CASH OUTFLOWS		3,021,560	621,395
CASH INFLOWS				
9	Secured lending (eg. Reverse repos)		1,440	331
10	Inflows from fully performing exposures		185,061	157,195
11	Other cash inflows		55,503	42,258
12	**TOTAL CASH INFLOWS**		**242,004**	**199,784**
13	**TOTAL HQLA**			**325,539**
14	**TOTAL NET CASH OUTFLOWS**			**421,611**
15	**LIQUIDITY COVERAGE RATIO (%)**			**77.21%**

The Group has been maintaining HQLA mainly in the form of SLR investments over and above the mandatory requirements. Retail deposits constitute major portion of total funding sources, and such funding sources are well diversified. Management is of the view that the Bank has sufficient liquidity cover to meet its likely future short term requirements.

19. Inter Office Accounts

Inter Office Accounts between branches, controlling offices, local head offices and corporate centre establishments are being reconciled on an ongoing basis and no material effect is expected on the profit and loss account of the current year.

20. Sale of Assets to Reconstruction Companies

Shortfall on account of sale of assets to Reconstruction Companies during the year amounting to ₹461.39 crores (previous year ₹2,803.19 crores) is being amortized over a period of two years in terms of RBI Circular DBOD.BP.BC.No.98/21.04.132/2013-14 dated February 26, 2014. Consequently, ₹1,509.79 crores (previous year ₹623.78 crores) has been charged to the Profit & Loss Account for the year ended March 31, 2016. The amount unamortised as at March 31, 2016 is ₹1,131.01 crores. (previous year ₹2,179.42 crores)

21. Counter Cyclical Provisioning Buffer (CCPB)

RBI vide Circular No. DBR.No.BP.BC.79/21.04.048/2014-15 dated March 30, 2015 on 'Utilisation of Floating Provisions/Counter Cyclical Provisioning Buffer' has allowed the banks, to utilise up to 50 per cent of CCPB held by them as on December 31, 2014, for making specific provisions for Non-Performing Assets (NPAs) as per the policy approved by the Bank's Board of Directors. Accordingly, the Bank has utilized the CCPB of ₹1,149 crores (previous year ₹382 crores) for making specific provision for NPAs, in accordance with the board approved policy and approval of the Board.

22. Asset Quality Review (AQR)

During the year, as a part of Asset Quality Review (AQR) conducted by RBI, the Bank has been advised to reclassify/make additional provision in respect of certain advance accounts over two quarters ending December 2015 and March 2016. The Bank has accordingly implemented the RBI directions.

23. Food Credit

In accordance with RBI instruction, the Bank has made a provision of 7.5% amounting to ₹543.50 crores against outstanding in the food credit advance to a State Government pending resolution by stakeholders.

24. Depreciation on Fixed Assets

During the current year, estimated useful life of a few assets such as ATMs, cash dispensing machines, coin dispensing machine, computer servers, computer software, networking equipment were changed. The effect of which on the financial statements is considered not material.

25. Other income includes ₹2,033.83 crores on account of exchange gain on repatriation of funds from foreign offices to India and restatement of capital funds at historical costs at foreign offices.

26. In accordance with RBI circular dated July 16, 2015 investment in Rural Infrastructure and Development Fund and other related deposits have been re-classified to Schedule 11 — Other Assets from Schedule 8 — Investments. Consequently, interest on such deposits have been re-classified to "Others" from "Income from investments" in Schedule 13 — Interest Earned.

27. Previous year figures have been regrouped/reclassified, wherever necessary, to conform to current year classification. In cases where disclosures have been made for the first time in terms of RBI guidelines/Accounting Standards, previous year's figures have not been mentioned.

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