

## IMPORTANT NOTICE

**NOT FOR DISTRIBUTION INTO THE UNITED STATES OR TO ANY PERSON OR ADDRESS IN THE UNITED STATES.**

**IMPORTANT: You must read the following before continuing.** The following applies to the offering circular (the “**Offering Circular**”) following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, 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 THE UNITED STATES OR ANY OTHER 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, AS AMENDED (THE “**SECURITIES ACT**”), OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. 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 CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. ADDRESS. ANY 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.

**Confirmation of your Representation:** This Offering Circular is being sent at your request and by accepting the e-mail and accessing this Offering Circular, you shall be deemed to have represented to us that you are outside the United States.

In addition, you shall be deemed to have represented to us that 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 that you consent to delivery of such Offering Circular by electronic transmission.

You are reminded that this Offering Circular has been delivered to you on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorized to, deliver this Offering Circular to any other person.

The materials relating to any offering of securities described in this Offering Circular 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 underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer in such jurisdiction.

This Offering Circular 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 Dealers (as defined in this Offering Circular) or any person who controls each of them nor any director, officer, employee nor agent of each of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from any of the Dealers.

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 items of a destructive nature.

# OFFERING CIRCULAR



## STATE BANK OF INDIA

(Constituted under State Bank of India Act, 1955)

acting through its Hong Kong Branch, London Branch, Nassau Branch, Sydney Branch  
and any other foreign branch

### U.S.\$10,000,000,000 Medium Term Note Program

On November 25, 2004, State Bank of India (the "Issuer" or the "Bank"), acting through its London Branch, entered into a U.S.\$10,000,000,000 Medium Term Note Program (the "Program", as amended, supplemented or restated) and prepared an Offering Circular dated November 25, 2004. On August 22, 2005, the size of the Program was increased from U.S.\$10,000,000,000 to U.S.\$2,000,000,000 in accordance with the terms of the Program. On February 28, 2007, the size of the Program was further increased from U.S.\$2,000,000,000 to U.S.\$5,000,000,000 in accordance with the terms of the Program. On December 24, 2010, the size of the Program was further increased from U.S.\$5,000,000,000 to U.S.\$10,000,000,000 in accordance with the terms of the Program. This Offering Circular supersedes any previous Offering Circular describing the Program. Any Notes (as defined below) issued under the Program on or after the date of this Offering Circular are issued subject to the provisions described herein. This does not affect any Notes issued before the date of this Offering Circular.

Under this U.S.\$10,000,000,000 Program, the Issuer, acting through its Hong Kong Branch, London Branch, Nassau Branch, Sydney Branch or other foreign branch, as the case may be, may from time to time issue notes (the "Notes", which expression shall include Senior Notes and Subordinated Notes (as defined herein)) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

Notes may be issued in bearer or registered form. The maximum aggregate nominal amount of all Notes from time to time outstanding under the Program will not exceed U.S.\$10,000,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as described herein. Notes denominated in Australian dollars, issued in the Australian domestic capital market and ranking as senior obligations of the Issuer ("AMTNs") will be issued in registered certificated form, and will take the form of entries on a register established and maintained by a registrar in Australia and may be lodged with the clearing system operated by Austraclear Ltd ("Austraclear"). Each Tranche of AMTNs will be represented by a certificate without coupons (each an "AMTN Certificate"), which shall be issued by the Issuer in respect of each Tranche of AMTNs.

In relation to any Tranche (as defined under "Terms and Conditions of the Notes") of Notes, the Issuer may act through its Hong Kong Branch, London Branch, Nassau Branch, Sydney Branch or through any of its other foreign branches, in each case as indicated in the applicable Pricing Supplement (as defined below).

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "Summary of the Program" and any additional Dealer appointed under the Program from time to time by the Issuer (each a "Dealer" and together the "Dealers"), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the "relevant Dealer" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe to such Notes.

Approval-in-principle has been granted for the listing and quotation of Notes that may be issued pursuant to the Program and which are agreed at or prior to the time of issue thereof to be so listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST (the "Official List"). The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Approval-in-principle for the listing and quotation of any Notes on the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Program or the Notes. Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche of Notes will be set out in a pricing supplement (the "Pricing Supplement") which, with respect to Notes to be listed on the SGX-ST, will be delivered to the SGX-ST on or before the date of listing of the Notes of such Tranche.

The Program provides that Notes may be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes.

The Issuer may agree with any Dealer and the Trustee (as defined herein) that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event (in the case of Notes intended to be listed on the SGX-ST) a supplementary Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

The Issuer is registered in Australia as a foreign company. The Issuer has been granted authority to carry on banking business in Australia by the Australian Prudential Regulation Authority ("APRA") and is a foreign "authorised deposit-taking institution" ("foreign ADI") as that term is defined under the Banking Act 1959 of the Commonwealth of Australia (the "Australian Banking Act") in the category of a "Branch of a Foreign Bank". AMTNs issued by the Issuer are not deposits of the Issuer and are not covered by the depositor protection provisions of Division 2 of Part II of the Australian Banking Act. The Issuer's indebtedness in respect of the AMTNs is affected by applicable laws which include (but are not limited to) section 11F of the Australian Banking Act and section 86 of the Reserve Bank Act 1959 of the Commonwealth of Australia ("Reserve Bank Act"). Section 11F of the Australian Banking Act provides that, in the event that a foreign ADI, such as the Issuer, (whether in or outside Australia) suspends payment or becomes unable to meet its obligations, the assets of the foreign ADI in Australia are to be available to meet its liabilities in Australia in priority to all other liabilities of the foreign ADI. Section 86 of the Reserve Bank Act provides that, notwithstanding anything contained in any law relating to the winding-up of companies, but subject to subsection 13A(3) of the Australian Banking Act (which does not apply to the Issuer as a foreign ADI), debts due to the Reserve Bank of Australia by an authorised deposit-taking institution (including a foreign ADI) ("ADI") shall, in the winding-up of the ADI, have priority over all other debts of the ADI. The Issuer does not make any representation as to whether the AMTNs would constitute liabilities in Australia under such statutory provisions. The AMTNs are not the obligations of any government and, in particular, are not guaranteed by the Commonwealth of Australia.

See "Investment Considerations" for a discussion of certain factors to be considered in connection with an investment in the Notes.

Notes to be listed on the SGX-ST will be accepted for clearance through Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream") and/or the Depository Trust Company ("DTC").

Each Tranche of Notes of each series (as defined in "Form of the Notes") to be issued in bearer form ("Bearer Notes", comprising a "Bearer Series") will initially be represented by either a temporary bearer global note (a "Temporary Bearer Global Note") or a permanent bearer global note (a "Permanent Bearer Global Note") and, together with a Temporary Bearer Global Note, the "Bearer Global Notes", and each a "Bearer Global Note" as indicated in the applicable Pricing Supplement, which, in either case, will be delivered on or prior to the original issue date of the Tranche to a common depository (the "Common Depository") for Euroclear and Clearstream.

On and after the date (the "Exchange Date") which, for each Tranche in respect of which a Temporary Bearer Global Note is issued, is 40 days after the Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Bearer Global Note of the same Series or (ii) definitive Bearer Notes of the same Series.

The applicable Pricing Supplement will specify that a Permanent Bearer Global Note will be exchangeable for definitive Bearer Notes in certain limited circumstances. Notes of each series (other than AMTNs) to be issued in registered form ("Registered Notes" comprising a "Registered Series") sold in an "offshore transaction" within the meaning of Regulation S ("Regulation S") under the U.S. Securities Act of 1933, as amended (the "Securities Act"), which will be sold outside the United States (and in the case of Notes being offered or sold in reliance on Category 2 of Regulation S, only to non-U.S. persons (as defined in Regulation S)), will initially be represented by a global note in registered form, without receipts or coupons, (a "Regulation S Global Note") deposited with a common depository for Euroclear and Clearstream, and registered in the name of a nominee of such common depository. Prior to expiry of the distribution compliance period (as defined in Regulation S) ("Distribution Compliance Period") (if any) applicable to each Tranche of Notes, beneficial interests in a Regulation S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in the Terms and Conditions of the Notes and may not be held otherwise than through Euroclear or Clearstream and such Regulation S Global Note will bear a legend regarding such restrictions on transfer.

The Registered Notes of each Tranche may only be offered and sold in the United States in private transactions (i) to QIBs (as defined in "Form of the Notes") or (ii) to Institutional Accredited Investors (as defined in "Form of the Notes") who agree to purchase the Notes for their own account and not with a view to the distribution thereof. The Registered Notes of each Tranche sold to QIBs will be represented by a global note in registered form, without receipts or interest coupons (a "Rule 144A Global Note") and, together with a Regulation S Global Note, the "Registered Global Notes", which will be deposited with a custodian for, and registered in the name of DTC or a nominee of DTC.

This Offering Circular has not been and will not be registered or published as a prospectus or a statement in lieu of a prospectus with the Registrar of Companies in India in respect of a public offer or information memorandum or other offering material in respect of any private placement of securities under the Companies Act, 1956, as amended, the Companies Act, 2013, as amended and the rules framed thereunder or any other applicable Indian laws. This Offering Circular has not been and will not be reviewed or approved by any regulatory authority in India, including, but not limited to, the Securities and Exchange Board of India, any Registrar of Companies or any stock exchange in India. This Offering Circular and the Notes are not and should not be construed as an advertisement, invitation, offer or sale of any securities to the public or any person resident in India. The Notes have not been and will not be, offered or sold to any person resident in India. If you purchase any of the Notes, you will be deemed to have acknowledged, represented and agreed that you are eligible to purchase the Notes under applicable laws and regulations and that you are not prohibited under any applicable law or regulation from acquiring, owning or selling the Notes.

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and the Notes may include Bearer Notes that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or, in the case of Bearer Notes, delivered within the United States or, in the case of Notes offered or sold in reliance on Category 2 of Regulation S, to U.S. persons (as defined in Regulation S). See "Form of the Notes" for a description of the manner in which Notes will be issued. Registered Notes are subject to certain restrictions on transfer, see "Subscription and Sale".

AMTNs will be sold in "Offshore transactions" within the meaning of Regulation S.

Any Additional Tier 1 Notes issued under the Program are not intended to be sold and should not be sold to retail clients in the European Economic Area (the "EEA"), as defined in the rules set out in the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015 (as amended or replaced from time to time) other than in circumstances that do not and will not give rise to a contravention of those rules by any person. Prospective investors are referred to the section headed "Important Notices — Restrictions on Marketing and Sales to Retail Investors" on page viii of this Offering Circular for further information.

The Bank has been rated BBB- Stable by S&P Global Ratings, a division of the McGraw-Hill Companies, Inc., Baa3 Positive by Moody's Investors Service Limited and BBB-/stable by Fitch Ratings. Notes issued under the Program may be rated or unrated by either of the rating agencies referred to above. Where a Tranche of Notes is rated, such rating will be disclosed in the Pricing Supplement. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Arrangers

Citigroup

HSBC

Dealers

Citigroup

HSBC

The date of this Offering Circular is October 25, 2017

The Issuer accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything that would make the statements therein, in light of the circumstances under which they were made, misleading. The Issuer, having made all reasonable enquiries, confirms that this Offering Circular contains or incorporates all information which is material in the context of the Notes, that the information contained or incorporated in this Offering Circular is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Offering Circular are honestly held and that there are no other facts the omission of which would make this Offering Circular or any of such information or the expression of any such opinions or intentions misleading. The Issuer accepts responsibility accordingly.

No person is or has been authorized by the Issuer to give any information or to make any representation other than those contained in this Offering Circular or any other information supplied in connection with the Program or the Notes and, if given or made by any other person, such information or representations must not be relied upon as having been authorized by the Issuer, any of the Arrangers or the Dealers or the Trustee (each as defined herein).

To the fullest extent permitted by law, none of the Arrangers, the Dealers or the Trustee accept any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by an Arranger, a Dealer or the Trustee or on any of their behalf in connection with the Issuer or the issue and offering of the Notes. Each Arranger, each Dealer and the Trustee accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

Neither the Dealers nor the Trustee has separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any of the Arrangers or the Dealers, the Trustee or any of them as to the accuracy or completeness of the information contained or incorporated in this Offering Circular or any other information provided by the Issuer in connection with the Program.

Neither this Offering Circular nor any other information supplied in connection with the Program or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer, any of the Arrangers or the Dealers or the Trustee that any recipient of this Offering Circular or any other information supplied in connection with the Program or any Notes should purchase any of the Notes. Each investor contemplating purchasing Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Offering Circular nor any other information supplied in connection with the Program or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, any of the Arrangers or the Dealers or the Trustee to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Program is correct as of any time subsequent to the date indicated in the document containing the same. The Arrangers, the Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Program or to advise any investor in Notes issued under the Program of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Offering Circular when deciding whether or not to purchase any Notes.

**This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale**

of Notes may be restricted by law in certain jurisdictions. The Issuer, the Arrangers, the Dealers and the Trustee do not represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, any of the Arrangers or the Dealers or the Trustee which would permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom and The Netherlands), India, Singapore, Australia, Hong Kong, United Arab Emirates, (the “UAE”), Qatar and Bahrain, see “*Subscription and Sale*” and “*Transfer and Marketing Restrictions*”.

In making an investment decision, investors must rely on their own examination of the Issuer and the terms of the Notes being offered, including the merits and risks involved. The Notes have not been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Offering Circular or confirmed the accuracy or determined the adequacy of the information contained in this Offering Circular. Any representation to the contrary is unlawful.

None of the Issuer, the Arrangers, the Dealers and the Trustee makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

The notes and the information contained in this Offering Circular have not been approved by the Securities Commission of The Bahamas and will not be registered with that or any other regulatory authority in The Bahamas. Such registration is not required where the distribution of notes is made in accordance with the laws and rules of the countries in which the distribution is made. This Offering Circular may not be distributed in The Bahamas and the notes may not be offered for sale, or be sold, distributed or transferred to persons in The Bahamas.

There are restrictions on the offer and sale of the Notes in the United Kingdom. All applicable provisions of the Financial Services and Market Act 2000 (“**FSMA**”) with respect to anything done by any person in relation to the Notes in, from or otherwise involving the United Kingdom must be complied with. See “*Subscription and Sale*” and “*Transfer and Marketing Restrictions*”.

Under present Australian law, interest and other amounts paid on the Notes issued out of a branch or other permanent establishment of the Bank in Australia by the Issuer will not be subject to Australian interest withholding tax if the Notes are issued in accordance with certain prescribed conditions set out in section 128F of the *Income Tax Assessment Act 1936* (Australia). One of these conditions is that the Issuer must not know, or have reasonable grounds to suspect, that a Note, or an interest in a Note, was being, or would later be, acquired directly or indirectly by an Offshore Associate of the Issuer, other than in the capacity of a dealer, manager or underwriter in relation to

the placement of the relevant Notes, or a clearing house, custodian, funds manager or responsible entity of a registered scheme. Accordingly, the Notes must not be acquired by an Offshore Associate of the Issuer. For these purposes, an Offshore Associate of the Issuer is defined broadly and may include, but is not limited to, any entity that is directly or indirectly owned or controlled by the Issuer. Any investor who believes that it may be affiliated with or related to any of the above-mentioned entities or who otherwise believes it may be an Offshore Associate of the Issuer, should make appropriate enquiries before investing in any Notes. For further detail, please refer to “*Terms and Conditions of the Notes — Condition 10*”.

This document is for distribution only to persons who (i) are outside the United Kingdom, (ii) have professional experience in matters relating to investments, (iii) are persons falling within Article 49(2)(a) to (d) of the FSMA (Financial Promotion) Order 2005 (as amended), or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “**relevant persons**”). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will not be engaged in only with relevant persons.

In connection with the offering of any series of Notes, each Dealer is acting or will act for the Issuer in connection with the offering and no-one else and will not be responsible to anyone other than the Issuer for providing the protections afforded to clients of that Dealer nor for providing advice in relation to any such offering.

For a description of other restrictions, see “*Subscription and Sale*”.

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## U.S. INFORMATION

**This Offering Circular may be submitted on a confidential basis in the United States to a limited number of QIBs or Institutional Accredited Investors (“IAIs”) (each as defined under “*Form of the Notes*”) for informational use solely in connection with the consideration of the purchase of the Notes being offered hereby. Its use for any other purpose in the United States is not authorized. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.**

**Subject to certain exceptions, the Notes may not be offered, sold or, in the case of Bearer Notes, delivered within the United States or, in the case of Notes offered or sold in reliance on Category 2 of Regulation S, to, or for the account or benefit of, U.S. persons (as defined in Regulation S). Registered Notes may be offered or sold within the United States only to QIBs or to Institutional Accredited Investors, in either case in transactions exempt from registration under the Securities Act. Each U.S. purchaser of Registered Notes is hereby notified that the offer and sale of any Registered Notes to it may be being made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A under the Securities Act (“Rule 144A”).**

**Purchasers of Definitive IAI Registered Notes will be required to execute and deliver an IAI Investment Letter (as defined under “*Terms and Conditions of the Notes*”). Each purchaser or holder of Definitive IAI Registered Notes, Notes represented by a Rule 144A Global Note or any Notes issued in registered form in exchange or substitution therefor (together “**Legended Notes**”)**



will be deemed, by its acceptance or purchase of any such Legended Notes, to have made certain representations and agreements intended to restrict the resale or other transfer of such Notes as set out in “*Subscription and Sale*” and “*Transfer and Marketing Restrictions*”. Unless otherwise stated, terms used in this paragraph have the meanings given to them in “*Form of the Notes*”.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and the Treasury regulations promulgated thereunder.

The Notes have not been and will not be registered under the Securities Act or any U.S. State securities laws and may not be offered or sold in the United States or (in the case of Notes being offered or sold in reliance on Category 2 of Regulation S) to, or for the account or the benefit of, U.S. persons as defined in Regulation S under the Securities Act unless an exemption from the registration requirements of the Securities Act is available and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction. See “*Form of the Notes*” for a description of the manner in which Notes will be issued. Registered Notes are subject to certain restrictions on transfer, see “*Subscription and Sale*” and “*Transfer and Marketing Restrictions*”.

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#### AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with any resales or other transfers of Notes that are “restricted securities” within the meaning of the Securities Act, the Issuer will furnish, upon the request of a holder of such Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by him, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, the Issuer is neither a reporting company under section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

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#### SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is a statutory corporation organized under the laws of the Republic of India. All of the officers and directors named herein reside in India and all or a substantial portion of the assets of the Issuer and of such officers and directors are located in India. As a result, it may not be possible for investors to effect service of process outside the Republic of India upon the Issuer or such persons, or to enforce judgments against them obtained in courts outside the Republic of India predicated upon civil liabilities of the Issuer or such directors and officers under laws other than Indian law, including any judgment predicated upon United States federal securities laws. There is doubt as to the enforceability in the Republic of India in original actions or in actions for enforcement of judgments of United States courts of civil liabilities predicated solely upon the federal securities laws of the United States.

India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. The Issuer 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 (“Civil Code”). Under Indian law, a foreign judgment is conclusive as to any matter directly adjudicated upon 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, where the proceedings in which the judgment was obtained were opposed to natural justice; 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.

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 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 same nature of amounts payable in respect of taxes, other charges of a like nature or in respect of a fine or other penalties. While the United Kingdom has been declared by the Government as a reciprocating territory, the United States has not been so declared. Accordingly, a judgment of a court in the United States may be enforced 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 from 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 Reserve Bank of India (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 in the United States.

For additional information see “*Investment Considerations — Risks Relating to India — Investors in the Notes may not be able to enforce a judgment of a foreign court against the Bank, its directors or executive officers*”.

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## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The Issuer 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 Issuer, see “*Summary of Significant Differences Between Indian GAAP and U.S. GAAP*”. The financial statements of the Issuer as of and for the three months ended June 30, 2017 and as referred to in this Offering Circular have been prepared on an unconsolidated basis and there have been some adjustments made to the comparable 2016 period of such financials due to the merger of the Associate Banks into the Issuer on April 1, 2017, see section titled “*Banking Subsidiaries*” on page 151 of this Offering Circular.

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## CERTAIN DEFINITIONS

In this Offering Circular, references to the “**Issuer**” or the “**Bank**” are to State Bank of India on an unconsolidated basis. References to the “**Group**” are to the State Bank of India and its consolidated subsidiaries, Associate Banks (as defined herein) and other consolidated entities. References to specific data applicable to particular subsidiaries, Associate Banks or other consolidated entities are made by reference to the name of that particular entity. References to “**fiscal year**” or “**fiscal**” are to the year ending or ended on March 31.

Industry and market share data in this Offering Circular are derived from data of the RBI or the Director General of Commercial Intelligence and Statistics (the “**DGCIS**”) and calculated by the Bank where applicable. Indian economic data in this Offering Circular is derived from data of the RBI and the economic surveys of the Government.

All references in this document to “**U.S. dollars**”, “**U.S.\$**” and “**\$**” refer to United States dollars and to “**Rupee**”, “**Rupees**”, “**INR**” and “**Rs.**” refer to Indian Rupees. In addition, references to “**GBP**”, “**Sterling**” and “**£**” refer to pounds sterling, all references to “**euro**”, “**EUR**”, and “**€**” refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended, and all references to “**Australian dollars**” and “**A\$**” refer to the lawful currency of Australia. All references in this document to the “**Government**” and “**Central Government**” refer to the Government of India.

References to “**lakhs**” and “**crores**” in the Bank’s consolidated and unconsolidated financial statements are to the following:

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

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### **FORWARD-LOOKING STATEMENTS**

The Issuer has included statements in this Offering Circular which contain words or phrases such as “will”, “would”, “aimed”, “is likely”, “are likely”, “believe”, “expect”, “expected to”, “will continue”, “will achieve”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “seeking to”, “target”, “propose to”, “future”, “objective”, “goal”, “project”, “should”, “can”, “could”, “may” 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 expectations of the Issuer with respect to, but not limited to, its ability to successfully implement its strategy, its ability to integrate future mergers or acquisitions into its operations, future levels of non-performing assets and restructured assets, its growth and expansion, 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 or regulatory proceedings it is or becomes a party to, the future impact of new accounting standards, its ability to implement its dividend policy, the impact of Indian banking regulations on it, which includes the assets and liabilities of the Issuer, its ability to roll over its short-term funding sources, its exposure to market risks and the market acceptance of and demand for internet banking services.

In addition, other factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this Offering Circular include, but are not limited to general economic and political conditions in India, South Asia, and the other countries which have an impact on the Issuer’s business activities or investments, political or financial instability in India or any other country caused by any factor including any terrorist attacks in India, the United States or elsewhere or any other acts of terrorism worldwide, any anti-terrorist or other attacks by the United States, a United States-led coalition or any other country, the monetary and interest rate policies of India, political or financial instability in India or any other country caused by tensions between India and Pakistan related to the Kashmir region or military armament or social unrest in any part of India, inflation, deflation, unanticipated turbulence in interest rates, changes in the value of the Rupee, foreign exchange rate, equity prices or other rates or prices, the performance of the financial markets and level of Internet penetration in India and globally, changes in domestic and foreign laws, regulations and taxes, changes in competition and the pricing environment in India and regional or general changes in asset valuations. For a further discussion on the factors that could cause actual results to differ, see the discussion under “*Investment Considerations*” contained in this Offering Circular.



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## IMPORTANT NOTICES

### *Stabilization*

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilizing Manager(s) (or persons acting on behalf of any Stabilizing Manager(s)) in the applicable Pricing Supplement may over-allot or effect transactions with a view to supporting the market price of the Notes of the Series (as defined below) of which such Tranche forms part at a level higher than that which might otherwise prevail for a limited period after the issue date of the relevant Tranche of Notes. However, stabilization may not necessarily occur. Any stabilizing, if commenced, may cease at any time, and must be brought to an end after a limited period. Any stabilization action or over-allotment shall be conducted by the relevant Stabilizing Manager(s) (or persons acting on behalf of any Stabilizing Manager(s)) in accordance with all applicable laws and rules. Any such stabilization action may only be conducted outside Australia and/or through a market operated outside Australia.

### *Agreements and acknowledgments of investors, including holders and beneficial owners*

In respect of any Subordinated Notes issued under this Program, by its acquisition of such Subordinated Notes, each holder and beneficial owner acknowledges and agrees *inter alia* that upon the occurrence of a PONV Trigger Event or a CET1 Trigger Event (in the case of Additional Tier 1 Notes only), all or some of the rights of holders of Subordinated Notes and the Receipts relating to them shall be subject to Write-Down (as defined in the Terms and Conditions of the Notes) and the right to receive interest on any portion of nominal amount Written-Down will cease and all interest amounts that were not due and payable prior to the Write-Down shall be cancelled. In addition, in respect of Additional Tier 1 Notes issued under this Program, (1) interest is payable solely at the Bank's discretion, and no amount of interest shall become due and payable to the extent that it has been cancelled by the Bank at its sole discretion and (2) a cancellation of interest (in whole or in part) in accordance with the terms and conditions of such Additional Tier 1 Notes shall not constitute a default in payment or otherwise under the terms thereof. Any interest cancelled (in whole or in part) in the circumstances described herein shall not be due and shall not accumulate or be payable at any time thereafter, and holders and beneficial owners shall have no rights thereto or to receive any additional interest or compensation as a result of such cancellation. See "*Investment Considerations — Risks Relating to the Subordinated Notes*".

### *Restrictions on Marketing and Sales to Retail Investors*

Any Additional Tier 1 Notes issued under this Program and discussed in this Offering Circular are complex financial instruments and are not a suitable or appropriate investment for all investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Additional Tier 1 Notes to retail investors.

In particular, in June 2015, the U.K. Financial Conduct Authority (the "FCA") published the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015, which took effect from 1 October 2015 (the "**PI Instrument**").

Under the rules set out in the PI Instrument (as amended or replaced from time to time, the "**PI Rules**"):

- i. certain contingent write-down or convertible securities (including any beneficial interests therein), such as the Additional Tier 1 Notes, must not be sold to retail clients in the EEA; and
- ii. there must not be any communication or approval of an invitation or inducement to participate in, acquire or underwrite such securities (or the beneficial interest in such

securities) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the EEA (in each case, within the meaning of the PI Rules), other than in accordance with the limited exemptions set out in the PI Rules.

The Dealers are required to comply with the PI Rules. By purchasing, or making or accepting an offer to purchase, any Additional Tier 1 Notes (or a beneficial interest in such Additional Tier 1 Notes) from the Bank and/or the Dealers, each prospective investor represents, warrants, agrees with and undertakes to the Bank and each of the Dealers that:

1. it is not a retail client in the EEA (as defined in the PI Rules);
2. whether or not it is subject to the PI Rules, it will not:
  - (A) sell or offer Additional Tier 1 Notes (or any beneficial interest therein) to retail clients in the EEA; or
  - (B) communicate (including the distribution of the Offering Circular) or approve an invitation or inducement to participate in, acquire or underwrite Additional Tier 1 Notes (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the EEA (in each case within the meaning of the PI Rules),

in any such case other than (i) in relation to any sale or offer to sell Additional Tier 1 Notes (or any beneficial interests therein) to a retail client in or resident in the United Kingdom, in circumstances that do not and will not give rise to a contravention of the PI Rules by any person and/or (ii) in relation to any sale or offer to sell Additional Tier 1 Notes (or any beneficial interests therein) to a retail client in any EEA member state other than the United Kingdom, where (a) it has conducted an assessment and concluded that the relevant retail client understands the risks of an investment in the Additional Tier 1 Notes (or such beneficial interests therein) and is able to bear the potential losses involved in an investment in the Additional Tier 1 Notes (or such beneficial interests therein) and (b) it has at all times acted in relation to such sale or offer in compliance with the Markets in Financial Instruments Directive (2004/39/EC) (the “**MiFID**”) to the extent it applies to it or, to the extent MiFID does not apply to it, in a manner which would be in compliance with MiFID if it were to apply to it; and

3. it will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA) relating to the promotion, offering, distribution and/or sale of the Additional Tier 1 Notes (or any beneficial interests therein), including (without limitation) any such laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Additional Tier 1 Notes (or any beneficial interests therein) by investors in any relevant jurisdiction.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Additional Tier 1 Notes (or any beneficial interests therein) from the Bank and/or the Dealers, the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated in, and to form part of, this Offering Circular:

- (a) the most recently published audited consolidated and unconsolidated annual financial statements and, if published later, the most recently published audited or reviewed, as the case may be, interim consolidated and unconsolidated financial results (if any) of the Issuer, (see “*General Information*” for a description of the financial statements currently published by the Issuer); and
- (b) all supplements or amendments to this Offering Circular circulated by the Issuer from time to time.

Any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular.

The Issuer will provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to the Issuer at its office set out at the end of this Offering Circular. In addition, such documents will be available free of charge from the principal office of Citibank, N.A., London Branch (the “**Principal Paying Agent**”) for the Notes listed on the SGX-ST.

If the terms of the Program are modified or amended in a manner which would make this Offering Circular, as so modified or amended, inaccurate or misleading, to an extent which is material in the context of the Program, a new offering circular will be prepared.

## GENERAL DESCRIPTION OF THE PROGRAM

Under the Program, the Issuer may from time to time issue Notes denominated in any currency, subject as set out herein. A summary of the terms and conditions of the Program and the Notes appears below. The applicable terms of any Notes will be agreed between the Issuer and the relevant Dealer prior to the issue of the Notes and will be set out in the Terms and Conditions of the Notes endorsed on, attached to, or incorporated by reference into, the Notes, or, in respect of the AMTNs, entered in the A\$ Register and, in each case, as modified and supplemented by the applicable Pricing Supplement attached to, or endorsed on, such Notes, or, in respect of the AMTNs, entered in the A\$ Register, as more fully described under “*Form of the Notes*”.

This Offering Circular and any supplement will only be valid for listing Notes on the SGX-ST in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Program, does not exceed U.S.\$10,000,000,000 or its equivalent in other currencies. For the purpose of calculating the U.S. dollar equivalent of the aggregate nominal amount of Notes issued under the Program from time to time:

- (a) the U.S. dollar equivalent of Notes denominated in another Specified Currency (as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under “*Form of the Notes*”) shall be determined, at the discretion of the Issuer, either as of the date on which agreement is reached for the issue of Notes or on the preceding day on which commercial banks and foreign exchange markets are open for business in London, in each case on the basis of the spot rate for the sale of the U.S. dollar against the purchase of such Specified Currency in the London foreign exchange market quoted by any leading international bank selected by the Issuer on the relevant day of calculation;
- (b) the U.S. dollar equivalent of Dual Currency Notes, Index Linked Notes and Partly Paid Notes (each as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under “*Form of the Notes*”) shall be calculated in the manner specified above by reference to the original nominal amount on issue of such Notes (in the case of Partly Paid Notes regardless of the subscription price paid); and
- (c) the U.S. dollar equivalent of Zero Coupon Notes (as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under “*Form of the Notes*”) and other Notes issued at a discount or a premium shall be calculated in the manner specified above by reference to the net proceeds received by the Issuer for the relevant issue.

All references in this Offering Circular to “**nominal amount**” will, in respect of Subordinated Notes, refer to Outstanding Nominal Amount or Issued Nominal Amount, as relevant and unless otherwise specified.



## SUMMARY OF THE PROGRAM

The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. Words and expressions defined in “*Form of the Notes*” and “*Terms and Conditions of the Notes*” shall have the same meanings in this summary.

Issuer: . . . . .	State Bank of India, acting through its Hong Kong Branch, London Branch, Nassau Branch, Sydney Branch or any of its other foreign branches (as indicated in the applicable Pricing Supplement).
Description: . . . . .	Medium Term Note Program.
Arrangers: . . . . .	Citigroup Global Markets Limited and The Hongkong and Shanghai Banking Corporation Limited
Dealers: . . . . .	Citigroup Global Markets Limited, The Hongkong and Shanghai Banking Corporation Limited and any other Dealers appointed in accordance with the Program Agreement (as defined under “ <i>Subscription and Sale</i> ”).
Certain Restrictions: . . . . .	Each issue of Notes in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “ <i>Subscription and Sale</i> ”) including the following restrictions applicable at the date of this Offering Circular.
Trustee: . . . . .	Citicorp International Limited
Principal Paying Agent: . . . . .	Citibank, N.A., London Branch (in respect of Notes other than AMTNs)
Registrar: . . . . .	Citigroup Global Markets Deutschland AG (in respect of Notes other than AMTNs)
Program Size: . . . . .	Up to U.S.\$10,000,000,000 (or its equivalent in other currencies calculated as described under “ <i>General Description of the Program</i> ”) in aggregate nominal amount of Notes outstanding at any time. The Issuer may increase the amount of the Program in accordance with the terms of the Program Agreement.
Investment Considerations: . . . . .	There are certain factors that may affect the Issuer’s ability to fulfil its obligations under Notes issued under the Program. These are set out under “ <i>Investment Considerations</i> ”. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Program. These are set out under “ <i>Investment Considerations</i> ” and include certain risks relating to the structure of particular Series of Notes and certain market risks.
Distribution: . . . . .	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.

Currencies: . . . . .	Subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer and the relevant Dealer.
Redenomination: . . . . .	The applicable Pricing Supplement may provide that certain Notes may be redenominated in euro. The relevant provisions applicable to any such redenomination are contained in Condition 5.
Maturities: . . . . .	Such maturities as may be agreed between the Issuer and the relevant Dealer and indicated in the applicable Pricing Supplement, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price: . . . . .	Notes may be issued on a fully-paid or (in the case of Notes other than Subordinated Notes) a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes: . . . . .	The Notes may be issued in bearer or registered form as described in “ <i>Form of the Notes</i> ” other than AMTNs. Registered Notes will not be exchangeable for Bearer Notes and vice versa. AMTNs will be issued in registered certificated form and will take the form of entries on a register established and maintained by a registrar in Australia and may be lodged with the clearing system operated by Austraclear (the “ <b>Austraclear System</b> ”). Each Tranche of AMTNs will be represented by an AMTN Certificate. AMTNs lodged with the Austraclear System will be registered in the name of Austraclear.
Fixed Rate Notes: . . . . .	Fixed interest will be payable at such rate or rates in arrear and on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.
Floating Rate Notes: . . . . .	Floating Rate Notes will bear interest at a rate determined: <ul style="list-style-type: none"> <li>(i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or</li> <li>(ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or</li> <li>(iii) on such other basis as may be agreed between the Issuer and the relevant Dealer.</li> </ul>

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

Index Linked Notes: . . . . .

Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer may agree.

Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes: . . . . .

Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.

Dual Currency Notes: . . . . .

Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer may agree.

Partly Paid Notes: . . . . .

The Issuer may issue Notes in respect of which the issue price is paid in separate installments in such amounts and on such dates as the Issuer and the relevant Dealer may agree.

Zero Coupon Notes: . . . . .

Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

Other Notes: . . . . .

The Issuer may agree with any Dealer and the Trustee that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event the relevant provisions will be included in the applicable Pricing Supplement.

Redemption: . . . . .

The applicable Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (if any) or that such Notes will be redeemable at the option of the Issuer (in the case of Subordinated Notes, only upon the expiry of five years from the Issue Date and subject to the Conditions for Redemption as set forth in Condition 8.12) and/or (except in the case of Subordinated Notes) the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as set forth in “*Terms and Conditions of the Notes*” as may be agreed between the Issuer and the relevant Dealer. Notes may also be redeemed prior to their stated maturity (i) in specified installments, if applicable, (ii) for taxation reasons, (iii) in the case of Subordinated Notes, for certain regulatory reasons or (iv) following an Event of Default (as defined in Condition 12) in accordance with Condition 12. The Subordinated Notes shall not be redeemed at the initiative of Noteholders or without the consent of the RBI.

The applicable Pricing Supplement may provide that Notes may be redeemable in separate installments in such amounts and on such dates as are indicated in the applicable Pricing Supplement.

Denomination of Notes: . . . . .

Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency.

Notes in registered form sold pursuant to Rule 144A shall be issued in denominations of U.S.\$200,000 (or its equivalent in any other currency) and higher integral multiples of U.S.\$1,000 (or its equivalent as aforesaid) or the higher denomination or denominations specified in the applicable Pricing Supplement. Registered Notes sold in the United States to institutional accredited investors pursuant to section 4(2) of the Securities Act or in a transaction otherwise exempt from registration under the Securities Act will be in definitive form (“**Definitive IAI Registered Notes**”) and shall be issued in minimum denominations of U.S.\$500,000 or its equivalent in any other currency) and higher integral multiples of U.S.\$1,000 (or its equivalent as aforesaid) or the higher denomination or denominations specified in the applicable Pricing Supplement.

Notes issued in, or into, Australia may be issued in such denominations as may be agreed save that:

- (i) the aggregate consideration payable to the Issuer by each offeree is at least A\$500,000 (or its equivalent in any other currency and, in either case, disregarding moneys lent by the Issuer or its associates) and the issue results from an offer or invitation for those Notes which otherwise does not require disclosure to investors under Part 6D.2 or Chapter 7 of the Corporations Act 2001 of the Commonwealth of Australia; and
- (ii) the issue complies with all other applicable laws.

Taxation: .....

All payments of principal and interest in respect of the Notes, Receipts and Coupons will be made without withholding or deduction for or on account of taxes imposed by India or any Specified Country (as defined in Condition 8), subject as provided in Condition 10. In such event, the Issuer will, save in certain limited circumstances provided in Condition 10, be required to pay additional amounts to cover the amounts so deducted or withheld.

Without prejudice to the Issuer's obligation to pay additional amounts as described above, all payments in respect of the Notes will be made subject to any withholding or deduction required pursuant to fiscal and other laws or pursuant to FATCA, as provided in Condition 7.8.

Negative Pledge: .....

The terms of the Notes (other than Subordinated Notes) will contain a negative pledge provision as further described in Condition 4.

Cross Default: .....

The terms of the Notes (other than Subordinated Notes) will contain a cross default provision as further described in Condition 12.

Status of the Senior Notes: .....

The Senior Notes will constitute direct, unconditional, unsubordinated and, subject to the provisions of Condition 4, unsecured obligations of the Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsubordinated and unsecured obligations of the Issuer, from time to time outstanding.

Status, Rights of Enforcement and other Terms of the Subordinated Notes: .....

Subordinated Notes will be Additional Tier 1 Notes or Tier 2 Notes, as indicated in the applicable Pricing Supplement. The status of the Tier 2 Notes and the Additional Tier 1 Notes are set out in Conditions 3.2 and Condition 3.3, respectively. The rights of enforcement relating to Subordinated Notes are set out in Condition 12.2. Subordinated Notes will not have the benefit of a negative pledge or a cross default provision.



Limited Rights of Enforcement in respect of Subordinated Notes: .

If any order of the Government of India is made for the liquidation or winding-up (as determined pursuant to the State Bank of India Act, 1955 (the “SBI Act”)) of the Issuer, save for the purposes of reorganization on terms previously approved by an Extraordinary Resolution of the Noteholders, the Trustee may, and if so requested in writing by the holders of at least one-fifth in Outstanding Nominal Amount of the Subordinated Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders, shall (subject to being indemnified and/or secured to its satisfaction) give notice to the Issuer that the Subordinated Notes are, and they shall, subject to the prior approval of the RBI having been obtained, thereupon immediately become, due or repayable at the amount provided in, or calculated in accordance with, Condition 8.6.

*Pursuant to section 45 of the SBI Act, Indian statutory provisions relating to winding up of companies do not apply to the Issuer, and it may only be placed in liquidation by order of the Government of India in such manner as it may direct.*

The Trustee may only accelerate the Subordinated Notes in the circumstances set out in Condition 12.2.

**Neither the Terms and Conditions of the Subordinated Notes nor the Trust Deed will contain any provision whereby the Subordinated Notes will become due and payable upon a default in the payment of principal of or interest on the Subordinated Notes or on the non-performance of any covenant of the Issuer or upon the happening of any event other than the events set forth in Condition 12.2; principally, the winding up or liquidation of the Issuer.**

Additional Tier 1 Notes —  
Cancellation of Interest: . . . . .

The Issuer may, at its full discretion and as it deems fit, elect at any time to cancel (in whole or in part) interest otherwise scheduled to be paid in respect of a Series of Additional Tier 1 Notes. Further, the Issuer will be required to cancel (in whole or, as the case may be, in part) the payment of any interest scheduled to be paid on an Interest Payment Date to the extent that such payment of interest is not permitted to be paid under the RBI Guidelines. Interest on the Additional Tier 1 Notes will be non-cumulative and any cancellation of interest on Additional Tier 1 Notes in accordance with Condition 6.7 will not constitute an event of default in respect of the Additional Tier 1 Notes. In the event of any cancellation of interest on Additional Tier 1 Notes, the Issuer will face certain restrictions on its ability to make payments in respect of securities ranking junior to, or *pari passu* with, such Additional Tier 1 Notes, as set out in Condition 6.7(d). See Condition 6.7 for further details.

Subordinated Notes — Loss

Absorption: . . . . .

In the event of a PONV Trigger Event, Subordinated Notes will be subject to interest cancellation and Write-Down (as defined in Condition 9.1(c)). Any nominal amount Written-Down due to the occurrence of a PONV Trigger Event will not be restored in any circumstances. Further, Additional Tier 1 Notes will also be subject to interest cancellation and Write-Down upon the occurrence of a CET1 Trigger Event, with any Reinstatement (as defined in Condition 9.2(b)) being at the Issuer’s option and subject to regulation. See Condition 9 and “*Investment Considerations — Risks Relating to the Subordinated Notes*” for further details.

Listing: . . . . .

Approval-in-principle has been granted for the listing and quotation of Notes that may be issued pursuant to the Program and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List. The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer in relation to each Series. If the application to the SGX-ST to list a particular series of Notes is approved, such Notes listed on the SGX-ST will be traded on the SGX-ST in a minimum board lot size of at least U.S.\$200,000.

Unlisted Notes may also be issued.

The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s).

Use of Proceeds: . . . . .

The net proceeds from each issue of the Notes will be used to:

- (i) meet the funding requirement of the Bank’s foreign offices, including the Hong Kong Branch, the London Branch, the Nassau Branch, Sydney Branch and subject to the approval of the RBI, foreign subsidiaries, and to develop and expand business in these offices; and/or
- (ii) strengthen the capital base of the Bank’s foreign offices, including the Hong Kong Branch, the London Branch, and the Nassau Branch, Sydney Branch and subject to the approval of the RBI, foreign subsidiaries, with respect to the issuance of qualifying Subordinated Notes and/or to augment the Bank’s capital in accordance with relevant regulatory guidelines; and/or
- (iii) meet its general corporate purposes.

Governing Law: . . . . .	The Notes (other than AMTNs) and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and construed in accordance with, English law except that in the case of Tier 2 Notes, Condition 3.2 (Status of the Tier 2 Notes) and, in the case of Additional Tier 1 Notes, Condition 3.3 (Status of the Additional Tier 1 Notes) will be governed by Indian Law. AMTNs will be governed by the laws of New South Wales, Australia.
Clearing System: . . . . .	The Euroclear, Clearstream, DTC (each as defined in Condition 1), the Austraclear System and/or any other clearing system, as specified in the applicable Pricing Supplement (see “ <i>Form of the Notes</i> ”).
Selling Restrictions: . . . . .	There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the United Kingdom and The Netherlands), India, Hong Kong, Singapore, Australia, the UAE, Bahrain and Qatar and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes (see “ <i>Subscription and Sale</i> ” and “ <i>Transfer and Marketing Restrictions</i> ”).
United States Selling Restrictions: . . . . .	Regulation S, Category 1 or 2 and Rule 144A, TEFRA C or D, or TEFRA not applicable as specified in the applicable Pricing Supplement.

## FORM OF THE NOTES

*This section does not apply to AMTNs.*

The Notes of each Series will be in either bearer form, with or without interest coupons (“**Coupons**”) attached, or registered form, without Coupons attached. Bearer Notes will be issued outside the United States to non-U.S. persons in reliance on Regulation S. Registered Notes will be issued both outside the United States (and in the case of Notes offered or sold in reliance on Category 2 of Regulation S, to, or for the account or benefit of, non-U.S. persons outside the United States) in reliance on Regulation S and within the United States to “qualified institutional buyers” within the meaning of Rule 144A under the Securities Act (“**QIBs**”) or to “accredited investors” as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act (“**Institutional Accredited Investors**”) in reliance on an exemption from the registration requirements of the Securities Act.

Notes to be listed on the SGX-ST will be accepted for clearance through Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream**”) and/or the Depository Trust Company (“**DTC**”).

### **Bearer Notes**

Each Tranche of Bearer Notes will be in bearer form and will initially be represented by either a temporary bearer global note (a “**Temporary Bearer Global Note**”) or a permanent bearer global note (a “**Permanent Bearer Global Note**” and, together with a Temporary Bearer Global Note, the “**Bearer Global Notes**”, and each a “**Bearer Global Note**”) as indicated in the applicable Pricing Supplement, which, in either case, will be delivered on or prior to the original issue date of the Tranche to a common depository (the “**Common Depository**”) for Euroclear and Clearstream. Whilst any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Bearer Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Bearer Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the “**Exchange Date**”) which, for each Tranche in respect of which a Temporary Bearer Global Note is issued, is 40 days after the Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Bearer Global Note of the same Series or (ii) definitive Bearer Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Pricing Supplement and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Pricing Supplement), in each case against certification of beneficial ownership as described above, unless such certification has already been given, provided that purchasers in the United States and certain U.S. persons will not be able to receive definitive Bearer Notes. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream against presentation or surrender (as the case may be) of the Permanent Bearer Global Note without any requirement for certification.

The applicable Pricing Supplement will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where

applicable, receipts, interest coupons and talons attached upon either (i) not less than 60 days' written notice from Euroclear and/or Clearstream (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Principal Paying Agent as described therein or (ii) only upon the occurrence of an Exchange Event.

For these purposes, “**Exchange Event**” means that (i) an Event of Default has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any case, no successor or alternative clearing system satisfactory to the Trustee is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Bearer Global Note in definitive form (provided that, in certain circumstances where the Notes are held through Euroclear and/or Clearstream, such adverse tax consequences are as a result of a change in, or amendment to, the laws or regulations (taxation or otherwise) in, or of, a Tax Jurisdiction (as defined under “*Terms and Conditions of the Notes — Condition 10*”) or the Specified Country (as defined under “*Terms and Conditions of the Notes — Condition 8*”). The Issuer will promptly give notice to the Noteholders in accordance with Condition 16 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) or, the Trustee may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The following legend will appear on all Bearer Global Notes (other than Temporary Bearer Global Notes), receipts and interest coupons relating to such Notes where TEFRA D is specified in the applicable Pricing Supplement:

“ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.”

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes, receipts or interest coupons and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition, redemption or payment of principal in respect of Bearer Notes, receipts or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, as the case may be.

### **Registered Notes**

The Registered Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold outside the United States (and, in the case of Notes being offered or sold in reliance on Category 2 of Regulation S, only to non-U.S. persons outside the United States), will initially be represented by a global note in registered form, without receipts or coupons, (a “**Regulation S Global Note**”) deposited with a common depository for Euroclear and Clearstream, and registered in the name of a nominee of such common depository. Prior to expiry of the distribution compliance period (as defined in Regulation S) (“**Distribution Compliance Period**”) (if any) applicable to each Tranche of Notes, beneficial interests in a Regulation S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 and may not be held otherwise than through Euroclear or Clearstream and such Regulation S Global Note will bear a legend regarding such restrictions on transfer.



The Registered Notes of each Tranche may only be offered and sold in the United States in private transactions (i) to QIBs or (ii) to Institutional Accredited Investors who agree to purchase the Notes for their own account and not with a view to the distribution thereof. The Registered Notes of each Tranche sold to QIBs will be represented by a global note in registered form, without receipts or interest coupons, (a “**Rule 144A Global Note**” and, together with a Regulation S Global Note, the “**Registered Global Notes**”) which will be deposited with a custodian for, and registered in the name of DTC or a nominee of, DTC. No sale of Legended Notes (as defined under “*U.S. Information*” above) in the United States to any one purchaser will be for less than U.S.\$200,000 (or its foreign currency equivalent) principal amount.

Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in registered form.

The Definitive IAI Registered Notes of each Tranche sold to Institutional Accredited Investors will be in definitive form, registered in the name of the holder thereof. Unless otherwise set forth in the applicable Pricing Supplement, Definitive IAI Registered Notes will be issued only in minimum denominations of U.S.\$500,000 and integral multiples of U.S.\$1,000 in excess thereof (or the approximate equivalents in the applicable Specified Currency). Definitive IAI Registered Notes will be subject to the restrictions on transfer set forth therein and will bear the restrictive legend described under “*Subscription and Sale*”. Institutional Accredited Investors that hold Definitive IAI Registered Notes may elect to hold such Notes through DTC, but transferees acquiring the Notes in transactions exempt from Securities Act registration pursuant to Regulation S or Rule 144 under the Securities Act (if available) may do so upon satisfaction of the requirements applicable to such transfer as described under “*Subscription and Sale*”. The Rule 144A Global Note and the Definitive IAI Registered Notes will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 7.4) as the registered holder of the Registered Global Notes. None of the Issuer, the Trustee, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 7.4) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, “**Exchange Event**” means that (i) an Event of Default has occurred and is continuing, (ii) in the case of Notes registered in the name of DTC or a nominee for DTC, either DTC has notified the Issuer that it is unwilling or unable to continue to act as depository for the Notes and no successor or alternative clearing system satisfactory to the Trustee is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act, (iii) in the case of Notes registered in the name of nominee for a common depository for Euroclear and Clearstream, the Issuer has been notified that both Euroclear and Clearstream have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system satisfactory to the Trustee is available or (iv) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Registered Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 16 if an Exchange Event occurs. In the event of the occurrence of an

Exchange Event, DTC, Euroclear and/or Clearstream (acting on the instructions of any holder of an interest in such Registered Global Note) or the Trustee may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iv) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than ten days after the date of receipt of the first relevant notice by the Registrar.

### **Transfer of Interests**

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note or in the form of a Definitive IAI Registered Note and Definitive IAI Registered Notes may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such Notes in the form of an interest in a Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear and Clearstream, in each case to the extent applicable. Registered Notes are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions (see “*Subscription and Sale*”).

### **General**

Pursuant to the Agency Agreement (as defined under “*Terms and Conditions of the Notes*”), the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued in reliance on Category 1 of Regulation S which is intended to form a single Series with an existing Tranche of Notes at a point after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned the same common code and ISIN. In the case of a further Tranche of Notes issued in reliance on Category 2 of Regulation S, the Principal Paying Agent shall arrange CUSIP and CINS numbers which are different from the common code, ISIN, CUSIP and CINS assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single series, which shall not be prior to the expiry of the Distribution Compliance Period applicable to the Notes of such Tranche.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear and/or Clearstream each person (other than Euroclear and/or Clearstream) who is for the time being shown in the records of Euroclear or Clearstream as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Trustee, the Issuer and their agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note and the registered holder of the relevant Registered Global Note shall be treated by the Trustee, the Issuer and their agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Bearer Global Note and the expressions “**Noteholder**” and “**holder of Notes**” and related expressions shall be construed accordingly.

So long as DTC or its nominee is the registered owner or holder of a Registered Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Registered Global Note for all purposes under the Agency Agreement and such Notes except to the extent that in accordance with DTC’s published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

Any reference herein to Euroclear and/or Clearstream and/or DTC shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement or otherwise approved by the Issuer, the Trustee, the Principal Paying Agent and the Registrar.

No Noteholder, Receiptholder (as defined below) or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

## APPLICABLE PRICING SUPPLEMENT

*Set out below is the form of Pricing Supplement which will be completed for each Tranche of Notes issued under the Program.*

[Date]

**State Bank of India**  
**acting through its [Hong Kong]/[London]/[Nassau]/[Sydney][●] Branch**

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]**  
**under the U.S.\$10,000,000,000**  
**Medium Term Note Program**

This document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated October 25, 2017 [and the supplement[s] to it dated [●] and [●]] (the “**Offering Circular**”). This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular.

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.]*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) set forth in the Offering Circular dated [original date]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [current date], save in respect of the Conditions which are extracted from the Offering Circular dated [original date] and are attached hereto.]

*[The following to be included for any issuance of Subordinated Notes]*

[By its acquisition of the Notes, each holder and beneficial owner acknowledges and agrees *inter alia* that upon the occurrence of a PONV Trigger Event [or a CET1 Trigger Event], all or some of the rights of holders of Notes [and the Receipts] relating to them shall be subject to Write-Down (as defined in the Conditions) and the right to receive interest on any portion of nominal amount Written-Down will cease and all interest amounts that were not due and payable prior to the Write-Down shall be cancelled. [In addition, (1) interest is payable solely at the Issuer’s discretion, and no amount of interest shall become due and payable to the extent that it has been cancelled by the Issuer at its sole discretion and (2) a cancellation of interest (in whole or in part) in accordance with the terms and conditions of such Additional Tier 1 Notes shall not constitute a default in payment or otherwise under the terms thereof. Any interest cancelled (in whole or in part) in the circumstances described herein shall not be due and shall not accumulate or be payable at any time thereafter, and holders and beneficial owners shall have no rights thereto or to receive any additional interest or compensation as a result of such cancellation.] See “*Investment Considerations — Risks Relating to the Subordinated Notes*” in the Offering Circular.]

*[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Pricing Supplement]*

*[Insert the following language for an issue of AMTNs:*

The Notes will be constituted by a deed poll (“**Note (AMTN) Deed Poll**”) dated [ ] executed by the Issuer and will be issued in certificated registered form by inscription on a register. The Notes are AMTNs for the purposes of the Offering Circular dated October 25, 2017 and the Conditions.

Notes will be offered in Australia only in the wholesale capital markets and on the basis that no disclosure to investors is required under Part 6D.2 or Chapter 7 of the Corporations Act 2001 of the Commonwealth of Australia.]

1. Issuer: State Bank of India, acting through its  
[Hong Kong] [London]/[Nassau]/[Sydney]/  
[ ] Branch
2. (a) Series Number: [ ]  
(b) Tranche Number: [ ]  
*(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)*  
(c) Date on which the Notes will be consolidated and form a single Series: The Notes will be consolidated and form a single Series with [*identify earlier Tranches*] on [the Series: Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [ ] below, which is expected to occur on or about [*date*]][Not Applicable]
3. Specified Currency or Currencies: [ ]
4. Aggregate Nominal Amount:  
(a) Series: [ ]  
(b) Tranche: [ ]
5. (a) Issue Price: [ ]% of the Aggregate Nominal Amount [plus accrued interest from [insert date] (*in the case of fungible issues only, if applicable*)]  
(b) [Net proceeds (Required only for listed issues): [ ]]  
(c) [Private Bank Rebate/Selling Commission: [ ]]



6. (a) Specified Denominations: [ ]  
*(N.B. Notes must have a minimum denomination of € 100,000 or equivalent unless the issue of Notes is (i) NOT admitted to trading on a European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive) (NB — Where Bearer Notes with multiple denominations above [€ 100,000] or equivalent are being used with respect to Bearer Notes, the following sample wording should be followed: “[€ 100,000] and integral multiples of [€ 1,000] in excess thereof, up to and including [€ 199,000] No notes in definitive form will be issued with a denomination above [€ 199,000].”) (In the case of Registered Notes, this means the minimum integral amount in which transfers can be made)*
- If the Notes are AMTNs, insert the following:*
- Subject to the requirement that the amount payable by each person who subscribed for the Notes must be at least A\$500,000 (disregarding monies lent by the Issuer or its associates).*
- (b) Calculation Amount (and in relation to calculation of interest in global form see Conditions): [ ]  
*(If only one Specified Denomination, insert the Specified Denomination.*
- If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
7. (a) Issue Date: [ ]
- (b) Interest Commencement Date: [Specify/Issue Date/Not Applicable]  
*(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
8. Maturity Date: [Fixed rate — specify date/Floating rate — Interest Payment Date falling in or nearest to [specify month and year]]  
*(NB: The maturity date of the Notes will be subject to the guidelines issued by the RBI from time to time)*

9. Interest Basis:  [% Fixed Rate]  
 [[LIBOR/EURIBOR] +/-  %  
Floating Rate]  
 [Zero Coupon]  
 [Index Linked Interest]  
 [Dual Currency Interest]  
 [*specify other*]  
(further particulars specified below)
10. Redemption/Payment Basis:  [Redemption at par]  
 [Index Linked Redemption]  
 [Dual Currency Redemption]  
 [Partly Paid]  
*(Not applicable to Additional Tier 1 Notes or Tier 2 Notes)*  
 [Installment]  
 [*specify other*]
11. Change of Interest Basis or Redemption/Payment Basis:  [Applicable/Not Applicable]  
*(If applicable, specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis) (N.B.: Conditions related to the maturity, redemption, put/call and similar features of Notes qualifying as regulatory capital will be subject to the guidelines issued by the RBI from time to time.)*
12. Put/Call Options:  [Investor Put]  
*(N.B. Investor Put is not possible for Subordinated Notes.)*  
 [Issuer Call]  
*(N.B.: Conditions related to the maturity, redemption, put/call and similar features of Notes qualifying as regulatory capital will be subject to the guidelines issued by the RBI from time to time.)*  
 [(further particulars specified below)]
13. Status of the Notes:  [Senior/Subordinated]  
*(If “Subordinated”, specify either “Additional Tier 1” or “Tier 2”).)*
14. (a) Date Board approval for issuance of Notes obtained:  [ ] [and  [ ], respectively]/[None required]  
*(N.B. Only relevant where Board (or similar) authorization is required for the particular tranche of Notes)*
- (b) Date regulatory approval/consent for issuance of Notes obtained:  [ ]/[None required]  
*(N.B. Only relevant where regulatory (or similar) approval or consent is required for the particular tranche of Notes)*

15. Listing: [Singapore/specify other/None]  
*(N.B. Consider disclosure requirements under the EU Prospectus Directive applicable to securities admitted to an EU regulated market)*  
*(N.B. For unlisted Notes, and certain other Notes, issued by the London Branch, withholding tax may be applicable. See “Taxation — [United Kingdom Taxation]” in the Offering Circular.)*
16. Method of distribution: [Syndicated/Non-syndicated]

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

17. Fixed Rate Note Provisions: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Rate(s) of Interest: [ ]% per annum payable in arrear on each Interest Payment Date
- (b) Interest Payment Date(s): [ ] in each year up to and including the Maturity Date  
*(Amend appropriately in the case of irregular coupons)*
- (c) Fixed Coupon Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions): [ ] per Calculation Amount
- (d) Broken Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions): [[ ] per Calculation Amount payable on the Interest Payment Date falling [in/on] [ ]]/[Not Applicable]
- (e) Day Count Fraction: [Actual/Actual (ICMA)] [30/360] [Actual/365 (Fixed)] or *[specify other]*
- (f) Determination Date(s): [[ ] in each year]/[Not Applicable] *(Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)*
- (g) Other terms relating to the method of calculating interest for Fixed Rate Notes: [None/Give details]
18. Floating Rate Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph) (N.B. Presently Subordinated Notes with a floating rate of interest are required to be referenced to a market determined Rupee interest benchmarked rate, under the guidelines issued by the RBI)*

- (a) Specified Period(s)/Specified Interest Payment Dates: [ ][, subject to adjustment in accordance with the Business Day Convention set out in (b) below,/not subject to any adjustment, as the Business Day Convention in (b) below is specified to be not Applicable.]
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention] [Not applicable] [*specify other*]
- (c) Additional Business Center(s): [ ]
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/*specify other*]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [ ]
- (f) Screen Rate Determination:
- Reference Rate: [ ] month [LIBOR/EURIBOR/*specify other Reference Rate*]. (Either LIBOR, EURIBOR or other, although additional information required if other, including fallback provisions in the Agency Agreement)
  - Interest Determination Date(s): [ ] (*Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR*)
  - Relevant Screen Page: [ ] (*In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*)
- (g) ISDA Determination:
- Floating Rate Option: [ ]
  - Designated Maturity: [ ]
  - Reset Date: [ ] (*in the case of a LIBOR or EURIBOR based option, the first day of the Interest Period*)
- (h) Linear Interpolation: [Not Applicable/Applicable — the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
- (i) Margin(s): [+/-] [ ]% per annum

- (j) Minimum Rate of Interest: [ ]% per annum
- (k) Maximum Rate of Interest: [ ]% per annum
- (l) Day Count Fraction: [Actual/Actual]  
 [Actual/Actual (ISDA)] [Actual/365 (Fixed)]  
 [Actual/365 (Sterling)]  
 [Actual/360]  
 [30/360, 360/360 or Bond Basis]  
 [30E/360 or Eurobond Basis]  
 [30E/360 (ISDA)]  
 [Other]
- (m) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [ ]
19. Zero Coupon Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Accrual Yield: [ ]% per annum
- (b) Reference Price: [ ]
- (c) Any other formula/basis of determining amount payable: [ ]
- (d) Day Count Fraction in relation to Early Redemption Amounts: [30/360]  
 [Actual/360]  
 [Actual/365]  
 [specify other]
20. Index Linked Interest Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Index/Formula: [give or annex details]
- (b) Calculation Agent: [give name]
- (c) Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Agent): [ ]
- (d) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: *[need to include a description of market disruption or settlement disruption events and adjustment provisions]*

- (e) Specified Period(s)/Specified Interest Payment Dates: [    ]
- (f) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*specify other*]
- (g) Additional Business Center(s): [    ]
- (h) Minimum Rate of Interest: [    ]% per annum
- (i) Maximum Rate of Interest: [    ]% per annum
- (j) Day Count Fraction: [    ]
21. Dual Currency Interest Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Rate of Exchange/method of calculating Rate of Exchange: [*give or annex details*]
- (b) Party if any, responsible for calculating the principal and/or interest due (if not the Agent): [    ]
- (c) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [*need to include a description of market disruption or settlement disruption events and adjustment provisions*]
- (d) Person at whose option Specified Currency(ies) is/are payable: [    ]

**PROVISIONS RELATING TO REDEMPTION**

22. Issuer Call: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Optional Redemption Date(s): [    ]
- (b) Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s): [[    ] per Calculation Amount/*specify other/see Appendix*]
- (c) If redeemable in part:
- (i) Minimum Redemption Amount: [    ]
- (ii) Maximum Redemption Amount: [    ]

- (d) Notice period (if other than as set out in the Conditions): [     ] *(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)*
23. Investor Put: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Optional Redemption Date(s): [     ]
- (b) Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s): [[     ] per Calculation Amount/specify other/see Appendix]
- (c) Notice period (if other than as set out in the Conditions): [     ] *(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)*
24. Final Redemption Amount: [     ] per Calculation Amount/[specify other]
25. Early Redemption Amount of each Note payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required): [[     ] per Calculation Amount/specify other/see Appendix]  
*(N.B. If the Final Redemption Amount is 100% of the nominal value (i.e. par), the Early Redemption Amount is likely to be par (but consider). If, however, the Final Redemption Amount is other than 100% of the nominal value, consideration should be given as to what the Early Redemption Amount should be.)*



## GENERAL PROVISIONS APPLICABLE TO THE NOTES

26. Australian interest withholding tax [The Notes have been issued in a manner intended to satisfy the public offer exemption from Australian interest withholding tax in section 128F of the *Income Tax Assessment Act 1936* (Australia)] OR

[The Notes have not been issued in a manner intended to satisfy the public offer exemption from Australian interest withholding tax in section 128F of the *Income Tax Assessment Act 1936* (Australia). [The Issuer is not obliged to pay any additional amounts under Condition 10 in respect of any withholding or deduction required by law on account of Australian interest withholding tax.]] [*Provide supplementary or additional information/disclosure as required.*]

27. Form of Notes:

[Bearer Notes:

[Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]\*

[Temporary Bearer Global Note exchangeable for Definitive Notes on and after the Exchange Date]\*

[Permanent Bearer Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]\*

*\* (Ensure that this is consistent with the wording in the "Form of the Notes" section in the Offering Circular and the Notes themselves. N.B. The exchange upon notice option should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect:*

*"[€ 100,000] and integral multiples of [€ 1,000] in excess thereof up to and including [€ 199,000]. No Notes in definitive form will be issued with a denomination above [€ 199,000]". Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Bearer Global Note exchangeable for Definitive Bearer Notes.)*

[Registered Notes:

Regulation S Global Note (U.S.\$[ ] nominal amount)/Rule 144A Global Note (U.S.\$[ ] nominal amount) registered in the name of a nominee for [DTC/a common depository for Euroclear and Clearstream]/Definitive IAI Registered Notes (U.S.\$[ ] nominal amount)]  
*(In the case of an issue with more than one Global Note or a combination of one or more Global Notes and Definitive IAI Notes, specify the nominal amounts of each Global Note and, if applicable, the aggregate nominal amount of all Definitive IAI Notes if such information is available)]*

*[If the Notes are AMTNs, insert the following:*

The Notes are AMTNs as referred to in the Offering Circular and will be issued in registered certificated form, constituted by the Note (AMTN) Deed Poll and take the form of entries on a register to be maintained by the Australian Agent (as defined below). Copies of the Note (AMTN) Deed Poll are available from the Australian Agent at its principal office in [Sydney/[name alternative Australian city]].]

28. Additional Financial Center(s): [Not Applicable/give details]  
*(Note that this paragraph relates to the date of payment and not the end dates of Interest Periods for the purpose of calculating the amount of interest, to which sub-paragraphs 18(c) and 20(f) relate)*
29. Talons for future Coupons to be attached to Definitive Notes: [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]
30. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details. N.B. a new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues]

31. Details relating to Installment Notes: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Installment Amount(s): [give details]
- (b) Installment Date(s): [give details]
32. Redenomination applicable: Redenomination [not] applicable *(If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates))*
33. Other terms or special conditions: [Not Applicable/give details]
34. Note (AMTN) Deed Poll: [Not Applicable/give details]

#### **DISTRIBUTION**

35. (a) If syndicated, names of Managers: [Not Applicable/give names]
- (b) Stabilizing Manager (if any): [Not Applicable/give name]
36. If non-syndicated, name of relevant Dealer: [ ]
37. Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable: [TEFRA D/TEFRA C/TEFRA not applicable]
38. Whether Category 1 or Category 2 applicable in respect of the Notes offered and sold in reliance on Regulation S: [Category 1/Category 2]  
*(Notes offered/sold in reliance on Category 1 must be in registered form)*
39. Additional selling restrictions: [Not Applicable/give details]
40. Additional U.S. federal income tax considerations: [Not Applicable/give details]

#### **OPERATIONAL INFORMATION**

41. Any clearing system(s) other than Euroclear, Clearstream, DTC and the Austraclear System and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
42. Delivery: Delivery [against/free of] payment
43. Australian Agent or additional Paying Agent(s) (if any): [ ]  
 If the Notes are AMTNs, insert the following:  
 [ ] has been appointed under [ ] dated [ ] as issuing and paying agent and registrar (Australian Agent) in respect of the AMTNs. The Australian Agent's address is [ ].

44. Address of the Issuer if the Issuer is an overseas branch of the Bank that is neither the Hong Kong branch, the London branch, the Nassau branch nor the Sydney Branch: [ ]
45. Process Agent in Australia: [Not Applicable/*give details*] [ ]
46. Reasons for the Offer [Use of proceeds as described in the Offering Circular]  
[use of proceeds for Eligible Green Projects as defined in the Offering Circular]  
[Other]

ISIN: [ ]

Common Code: [ ]  
*(insert here any other relevant codes such as CUSIP and CINS codes)*

#### **[LISTING APPLICATION]**

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the U.S.\$10,000,000,000 Medium Term Note Program of State Bank of India, acting through its [Hong Kong]/[London]/[Nassau]/[Sydney]/[ ] Branch.]

#### **RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By: \_\_\_\_\_  
*Duly authorized*

## TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions of the Notes which will (i) be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions and (ii) apply to each AMTN (as defined below). The applicable Pricing Supplement in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note or, in respect of the AMTNs, entered in the A\$ Register. Reference should be made to “Form of the Notes” for a description of the content of Pricing Supplements which will specify which of such terms are to apply in relation to the relevant Notes.*

The Note is one of a Series (as defined below) of Notes issued by State Bank of India (the “**Issuer**”) pursuant to the Agency Agreement or the Australian Agency Agreement (each as defined below) and (other than the AMTNs) is constituted by an amended and restated Trust Deed dated March 23, 2017 (such Trust Deed as further modified and/or supplemented and/or restated from time to time, the “**Trust Deed**”) made between the Issuer and Citicorp International Limited (the “**Trustee**” which expression shall include any successor as Trustee). The AMTNs will be constituted by the deed poll as specified in the applicable Pricing Supplement (as amended and supplemented from time to time, the “**Note (AMTN) Deed Poll**”). The Issuer and the registrar and issuing and paying agent in Australia as specified in the applicable Pricing Supplement (the “**Australian Agent**”) will have entered into an Agency and Registry Services Agreement (as amended and supplemented from time to time, the “**Australian Agency Agreement**”) in relation to the AMTNs. The applicable Pricing Supplement (as defined below) will indicate whether the Issuer is acting in relation to the Notes through its Hong Kong Branch, London Branch, Nassau Branch, Sydney Branch or any of its other foreign branches.

References herein to the “**Notes**” shall be references to the Notes of this Series and shall mean:

- (i) in relation to any Notes represented by a global Note (a “**Global Note**”), units of the lowest Specified Denomination in the Specified Currency;
- (ii) any Global Note;
- (iii) any definitive Notes in bearer form (“**Bearer Notes**”) issued in exchange for a Global Note in bearer form;
- (iv) definitive Notes in registered form (“**Registered Notes**”) (whether or not issued in exchange for a Global Note in registered form); and
- (v) any AMTNs (as defined below).

The Notes (other than Notes denominated in Australian dollars, governed by the law in force in New South Wales, Australia, cleared through the Austraclear System (as defined in Condition 2), issued in the Australian domestic capital market and ranking as senior obligations of the Issuer (“**AMTNs**”), the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an amended and restated Agency Agreement dated March 23, 2017 (such Agency Agreement as further amended and/or supplemented and/or restated from time to time, the “**Agency Agreement**”) and made between the Issuer, the Trustee, Citibank, N.A. London Branch as principal paying agent and agent bank (the “**Principal Paying Agent**”, which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the “**Paying Agents**”, which expression shall include any additional or successor paying agents), Citibank, N.A. London Branch as exchange agent (the “**Exchange Agent**”, which expression shall

include any successor exchange agent) and Citigroup Global Markets Deutschland AG as registrar (the “**Registrar**”, which expression shall include any successor registrar) and transfer agent and the other transfer agents named therein (together with the Registrar, the “**Transfer Agents**”, which expression shall include any additional or successor transfer agents).

The provisions of these Conditions (as defined below) relating to Bearer Notes, Certificates, Receipts, Coupons and Talons do not apply to AMTNs. The Principal Paying Agent, the Registrar and the Paying Agents and other Transfer Agents are together referred to as the “**Agents**”.

Interest bearing definitive Bearer Notes have interest coupons (“**Coupons**”) and, in the case of Bearer Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons (“**Talons**”) attached on issue. Any reference herein to Coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons. Definitive Bearer Notes repayable in installments have receipts (“**Receipts**”) for the payment of the installments of principal (other than the final installment) attached on issue. Registered Notes, AMTNs and Global Notes do not have Receipts, Coupons or Talons attached on issue.

The Pricing Supplement for a Note (or the relevant provisions thereof) is attached to or endorsed on the Note or, in respect of the AMTNs, entered in the A\$ Register (as defined below) and, in each case, supplements these Terms and Conditions (“**Conditions**”) and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Conditions, replace or modify these Conditions for the purposes of the relevant Note. References to the “**Applicable Pricing Supplement**” are to the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on the Note or, in respect of the AMTNs, entered in the A\$ Register.

Any reference to “**Noteholders**” or “**holders**” in relation to any Notes shall mean (in the case of Bearer Notes) the holders of the Notes and (in the case of Registered Notes or AMTNs) the persons in whose name the Notes are registered in the Register of the A\$ Register (as defined below), as the case may be, and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to “**Receiptholders**” shall mean the holders of the Receipts and any reference herein to “**Couponholders**” shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons. The Trustee acts for the benefit of the Noteholders, the Receiptholders and the Couponholders, in accordance with the provisions of the Trust Deed.

As used herein, “**Tranche**” means Notes which are identical in all respects (including as to listing and admission to trading) and “**Series**” means a Tranche of Notes together with any further Tranche or Tranches of Notes which (i) are expressed to be consolidated and form a single series and (ii) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the principal place of business in Hong Kong for the time being of the Trustee (being as at March 23, 2017, at 39/F, Champion Tower, Three Garden Road, 3 Garden Road, Central, Hong Kong and at the specified office of each of the Principal Paying Agent, the Registrar, the other Paying Agents and the Transfer Agents (the Principal Paying Agent, the Registrar, the other Paying Agents, the Transfer Agents and the Registrar being together referred to as the “**Agents**”). Copies of the applicable Pricing Supplement are obtainable during normal business hours at the specified office of each of the Agents save that, if the Note is an unlisted Note of any Series, the applicable Pricing Supplement will only be obtainable by a Noteholder holding one or more unlisted Notes of that Series and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Notes and identity. The Note (AMTN) Deed Poll will be held by the Australian Agent and copies of the Note (AMTN) Deed Poll and the Australian Agency Agreement referred to above are available for inspection free of charge during usual business hours at the principal office of the Australian Agent as specified in the applicable Pricing Supplement. If required in connection with any

legal proceedings, claims or actions brought by a holder of AMTNs, the Issuer must procure that the Australian Agent provide a certified copy of the Note (AMTN) Deed Poll and the Australian Agency Agreement to such holder within 14 days of a written request to the Issuer to so provide. The Noteholders, the Receipholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, and are bound by, those provisions of the Trust Deed, the applicable Pricing Supplement, the Agency Agreement and, in relation to the AMTNs only, the Australian Agency Agreement and Note (AMTN) Deed Poll which are applicable to them. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

Words and expressions defined in the Trust Deed and the Agency Agreement or used in the applicable Pricing Supplement shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

## **1. FORM, DENOMINATION AND TITLE**

The Notes may be in bearer form or in registered form and, in the case of definitive Notes, will be serially numbered, in the currency (the “**Specified Currency**”) and the denominations (the “**Specified Denomination(s)**”) specified in the applicable Pricing Supplement. Save as provided in Condition 2, Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and vice versa. AMTNs will only be issued in registered certificated form.

The Note may be a Senior Note, an Additional Tier 1 Note or a Tier 2 Note, as indicated in the applicable Pricing Supplement.

Additional Tier 1 Notes and Tier 2 Notes (together, “**Subordinated Notes**”) will be in registered form unless otherwise specified in the applicable Pricing Supplement.

The Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement.

The Note may be an Index Linked Redemption Note, an Installment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Pricing Supplement.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Conditions are not applicable.

Subject as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery and title to the Registered Notes and AMTNs will pass upon registration of transfers in the register in accordance with the provisions of the Agency Agreement or the Australian Agency Agreement (as the case may be). The Issuer, the Trustee and any Agent will (except as otherwise ordered by a court of competent jurisdiction or required by law) deem and treat the bearer of any Bearer Note, Receipt or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV (“**Euroclear**”) and/or Clearstream Banking S.A. (“**Clearstream**”), each person (other than Euroclear or Clearstream) who is for the time being shown in the records of Euroclear or Clearstream,



Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Trustee and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note and the registered holder of the relevant Registered Global Note shall be treated by the Issuer, the Trustee and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions “**Noteholder**” and “**holder of Notes**” and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular nominal amount of Notes, as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

For so long as any of the Notes is represented by a Regulation S Global Note, the registered holder of the relevant Regulation S Global Note shall be treated by the Issuer, the Trustee and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note.

For so long as The Depository Trust Company (“**DTC**”) or its nominee is the registered owner or holder of a Rule 144A Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Rule 144A Global Note for all purposes except to the extent that in accordance with DTC’s published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of DTC, Euroclear and Clearstream, as the case may be. References to DTC, Euroclear and/or Clearstream shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement or as may otherwise be approved by the Issuer, the Trustee and the Principal Paying Agent.

In the case of AMTNs, the following provisions shall apply in lieu of the foregoing provisions of Condition 1 in the event of any inconsistency.

AMTNs will be debt obligations of the Issuer owing under the Note (AMTN) Deed Poll, will be represented by a certificate (an “**AMTN Certificate**”) and will take the form of entries in a register (the “**A\$ Register**”) to be established and maintained by the Australian Agent in Sydney unless otherwise agreed with the Australian Agent (pursuant to the Australian Agency Agreement). The Agency Agreement is not applicable to the AMTNs.

AMTNs will not be serially numbered. Each entry in the A\$ Register constitutes a separate and individual acknowledgement to the relevant Noteholder of the indebtedness of the Issuer to the relevant Noteholder. The obligations of the Issuer in respect of each AMTN constitute separate and independent obligations which the Noteholder is entitled to enforce in accordance with these Conditions and the Note (AMTN) Deed Poll. Other than an AMTN Certificate, no certificate or other evidence of title will be issued by or on behalf of the Issuer unless the Issuer determines that certificates should be made available or it is required to do so pursuant to any applicable law or regulation.

No AMTN will be registered in the name of more than four persons. AMTNs registered in the name of more than one person are held by those persons as joint tenants. AMTNs will be registered by name only, without reference to any trusteeship and an entry in the A\$ Register in relation to an AMTN constitutes conclusive evidence that the person so entered is the registered owner of such AMTN, subject to rectification for fraud or error.

Upon a person acquiring title to any AMTNs by virtue of becoming registered as the owner of that AMTN, all rights and entitlements arising by virtue of the Note (AMTN) Deed Poll in respect of that AMTN vest absolutely in the registered owner of the AMTN, such that no person who has previously been registered as the owner of the AMTN has or is entitled to assert against the Issuer or the Australian Agent or the registered owner of the AMTN for the time being and from time to time any rights, benefits or entitlements in respect of the AMTN.

Each Tranche of AMTNs will be represented by a single AMTN Certificate substantially in the form set out in the Note (AMTN) Deed Poll. The Issuer shall issue and deliver, and procure the authentication by the Australian Agent of, such number of AMTN Certificates as are required from time to time to represent all of the AMTNs of each Series. An AMTN Certificate is not a negotiable instrument nor is it a document of title in respect of any AMTNs represented by it. In the event of a conflict between any AMTN Certificate and the A\$ Register, the A\$ Register shall prevail (subject to correction for fraud or proven error).

## **2. TRANSFERS OF REGISTERED NOTES AND AMTNS**

### **2.1 Transfers of interests in Registered Global Notes**

Transfers of beneficial interests in Registered Global Notes will be effected by DTC, Euroclear or Clearstream, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Registered Notes in definitive form or for a beneficial interest in another Registered Global Note of the same series only in the authorized denominations set out in the applicable Pricing Supplement as Specified Denominations and only in accordance with the rules and operating procedures for the time being of DTC, Euroclear or Clearstream, as the case may be, and in accordance with the terms and conditions specified in the Trust Deed and the Agency Agreement. Transfers of a Rule 144A Global Note shall be limited to transfers of such Rule 144A Global Note, in whole but not in part, to a nominee of DTC or to a successor of DTC or such successor's nominee.

### **2.2 Transfers of Registered Notes in Definitive Form**

Subject as provided in Conditions 2.5, 2.6 and 2.7 below, upon the terms and subject to the conditions set forth in the Trust Deed and the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the authorized denominations set out in the applicable Pricing Supplement as Specified Denominations). In order to effect any such transfer (i) the holder or holders must (a) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorized in writing and (b) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent and (ii) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer, the Trustee and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 5 to the Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Note in

definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent by uninsured mail to the transferor.

### **2.3 Transfers of AMTNs**

AMTNs may be transferred in whole but not in part. Unless lodged in the Austraclear System, the AMTNs will be transferable by duly completed and (if applicable) stamped transfer and acceptance forms in the form specified by, and obtainable from, the Australian Agent or in any other manner approved by the Issuer and the Australian Agent. Each transfer and acceptance form must be accompanied by such evidence (if any) as the Australian Agent may require to prove the title of the transferor or the transferor's right to transfer the AMTNs and be signed by both the transferor and the transferee.

AMTNs entered in the Austraclear System will be transferable only in accordance with the Austraclear Regulations.

AMTNs may only be transferred within, to or from Australia if:

- (i) the aggregate consideration payable by the transferee at the time of transfer is at least A\$500,000 (or its equivalent in any other currency and, in either case, disregarding moneys lent by the transferor or its associates) and the offer or invitation giving rise to the transfer otherwise does not require disclosure to investors in accordance with Part 6D.2 or Chapter 7 of the Corporations Act 2001 of the Commonwealth of Australia (the "**Australian Corporations Act**");
- (ii) the transfer is not to a **retail client** for the purposes of section 761G of the Australian Corporations Act;
- (iii) the transfer is in compliance with all applicable laws, regulations or directives (including, without limitation, in the case of a transfer to or from Australia, the laws of the jurisdiction in which the transfer takes place); and
- (iv) in the case of a transfer between persons outside Australia, if a transfer and acceptance form is signed outside Australia. A transfer to an unincorporated association is not permitted.

A person becoming entitled to an AMTN as a consequence of the death or bankruptcy of a Noteholder or of a vesting order or a person administering the estate of a Noteholder may, upon producing such evidence as to that entitlement or status as the Australian Agent considers sufficient, transfer such AMTN or, if so entitled, become registered as the holder of the AMTN.

Where the transferor executes a transfer of less than all of the AMTNs registered in its name, and the specific AMTNs to be transferred are not identified, the Australian Agent may register the transfer in respect of such of the AMTNs registered in the name of the transferor as the Australian Agent thinks fit, provided the aggregate nominal amount of the AMTNs registered as having been transferred equals the aggregate nominal amount of the AMTNs expressed to be transferred in the transfer.

### **2.4 Registration of Transfer upon partial redemption**

In the event of a partial redemption of Notes under Condition 8, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

## 2.5 Costs of registration

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

## 2.6 Transfers of Interests in Regulation S Global Notes

Transfers by the holder of, or of a beneficial interest in, a Regulation S Global Note to a transferee in the United States will only be made:

- (i) upon receipt by the Registrar of a written certification substantially in the form set out in Schedule 3 to the Agency Agreement, amended as appropriate (a “**Transfer Certificate**”), copies of which are available from the specified office of the Registrar or any Transfer Agent, from the transferor of the Note or beneficial interest therein to the effect that such transfer is being made:

- (A) to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or

- (B) to a person who is an Institutional Accredited Investor,

together with, in the case of (B), a duly executed investment letter from the relevant transferee substantially in the form set out in Schedule 4 to the Agency Agreement (an “**IAI Investment Letter**”) and such other satisfactory evidence as the Issuer may reasonably require from the transferor, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States; or

- (ii) otherwise pursuant to an effective registration statement under the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require from the transferor, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

In the case of Condition 2.5(i)(A) above, such transferee may take delivery through a Legended Note in global or definitive form and, in the case of Condition 2.5(i)(B) above, such transferee may take delivery only through a Legended Note in definitive form. After expiry of the Distribution Compliance Period, if applicable, (i) beneficial interests in Regulation S Global Notes may be held through DTC directly, by a participant in DTC, or indirectly through a participant in DTC and (ii) such certification requirements will no longer apply to such transfers.

## 2.7 Transfers of Interests in Legended Notes

Transfers of Legended Notes or beneficial interests therein may be made:

- (i) to a transferee who takes delivery of such interest through a Regulation S Global Note, upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and that, if such transfer is being made prior to expiry of the applicable Distribution Compliance Period, the interests in the Notes being transferred will be held immediately thereafter through Euroclear and/or Clearstream; or

- (ii) to a transferee who takes delivery of such interest through a Legended Note:
    - (A) where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or
    - (B) where the transferee is an Institutional Accredited Investor, subject to delivery to the Registrar of a Transfer Certificate from the transferor to the effect that such transfer is being made to an Institutional Accredited Investor, together with a duly executed IAI Investment Letter from the relevant transferee and such other satisfactory evidence as the Issuer may reasonably require from the transferor, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States, and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction;
  - (iii) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available); or
  - (iv) pursuant to an effective registration statement under the Securities Act,
- and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

Notes transferred by Institutional Accredited Investors to QIBs pursuant to Rule 144A or outside the United States pursuant to Regulation S will be eligible to be held by such QIBs or non-U.S. investors through DTC, Euroclear or Clearstream, as appropriate, and the Registrar will arrange for any Notes which are the subject of such a transfer to be represented by the appropriate Registered Global Note, where applicable.

Upon the transfer, exchange or replacement of Legended Notes, or upon specific request for removal of the legend (the “**Legend**”) applicable to Legended Notes, the Registrar shall deliver only Legended Notes or refuse to remove such Legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither the Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

## **2.8 Exchanges of Registered Notes Generally**

Holders of Registered Notes in definitive form that were sold outside the United States in accordance with Regulation S may exchange such Notes for Regulation S Global Notes at any time and holders of Rule 144A Notes in definitive form may exchange such Notes for interests in a Rule 144A Global Note of the same type at any time.

## **2.9 Closed Periods**

No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of, or payment of any Installment Amount in respect of, that Note, (ii) during the period of 15 days before any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 8.3, (iii) after any such Note has been called for redemption (iv) during the period of seven days ending on (and including) any Record Date; or (v) during any period commencing on the date of a Loss Absorption Event Notice and ending on the close of business in London on the effective date of the related Write-Down.

## 2.10 Definitions

In these Conditions, the following expressions shall have the following meanings:

“**Austraclear**” means Austraclear Ltd (ABN 94 002 060 773);

“**Austraclear Regulations**” means the regulations known as the “Austraclear Regulations”, together with any instructions or directions (as amended or replaced from time to time), established by Austraclear to govern the use of the Austraclear System and binding on the participants in that system;

“**Austraclear System**” means the clearing and settlement system operated by Austraclear in Australia for holding securities and electronic recording and the settling of transactions in those securities between participants of that system;

“**Distribution Compliance Period**” means the period that ends 40 days after the completion of the distribution of each Tranche of Notes, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant Lead Manager (in the case of a syndicated issue);

“**Institutional Accredited Investor**” means an institutional investor that qualifies as an “accredited investor” (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act);

“**Legended Note**” means Registered Notes in definitive form that are issued to Institutional Accredited Investors and Registered Notes (whether in definitive form or represented by a Registered Global Note) sold in private transactions to QIBs in accordance with the requirements of Rule 144A;

“**Outstanding Nominal Amount**” means the issued nominal amount of a Subordinated Note (the “**Issued Nominal Amount**”), as reduced pursuant to any Write-Down and as increased pursuant to any Reinstatement (to the extent applicable or permitted and in respect of Additional Tier 1 Notes only), from time to time. All references in these Conditions to nominal amount will, in respect of Subordinated Notes, refer to Outstanding Nominal Amount or Issued Nominal Amount, as relevant and unless otherwise specified;

“**QIB**” means a “qualified institutional buyer” within the meaning of Rule 144A;

“**Regulation S**” means Regulation S under the Securities Act;

“**RBI**” or “**Reserve Bank of India**” means the Reserve Bank of India (being the apex central banking and monetary authority of India) and any successor entity having primary bank regulatory authority with respect to the Issuer;

“**Regulation S Global Note**” means a Registered Global Note representing Notes sold outside the United States in reliance on Regulation S;

“**Rule 144A**” means Rule 144A under the Securities Act;

“**Rule 144A Global Note**” means a Registered Global Note representing Notes sold in the United States to QIBs; and

“**Securities Act**” means the United States Securities Act of 1933, as amended.



### 3. STATUS

#### 3.1 Status of the Senior Notes

Notes the status of which is specified in the applicable Pricing Supplement as Senior (the “**Senior Notes**”) and any relative Receipts and Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) 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 unsubordinated and unsecured obligations of the Issuer, from time to time outstanding.

#### 3.2 Status of the Tier 2 Notes

*This Condition 3.2 applies only to Notes specified in the applicable Pricing Supplement as “Tier 2 Notes”.*

*The Tier 2 Notes are not deposits of the Issuer and are not guaranteed or insured by the Issuer or any party related to the Issuer and they may not be used as collateral for any loan made by the Issuer or any of its subsidiaries or affiliates.*

##### (a) *Status*

The Tier 2 Notes are direct and unsecured obligations of the Issuer and rank *pari passu* without preference among themselves. The rights and claims of Noteholders in respect of, or arising under, the Tier 2 Notes are subordinated in the manner described in Condition 3.2(b).

##### (b) *Subordination*

Tier 2 Notes and any relative Receipts and Coupons are unsecured obligations of the Issuer and, in the event of the liquidation or winding up (as determined pursuant to the State Bank of India Act, 1955, as amended (the “**SBI Act**”)) of the Issuer, the claims of the holders of Tier 2 Notes and any relative Receipts and Coupons pursuant thereto will be subordinated in right of payment to the claims of all other creditors (other than claims of holders of Subordinated Indebtedness ranking, or expressed to rank equal to or junior to the claims of the holders of Tier 2 Notes and any relative Receipts and Coupons, if any) of the Issuer in the manner and to the extent provided in the Trust Deed. For the avoidance of doubt, the claims of holders of Tier 2 Notes and any relative Receipts and Coupons shall be senior to the claims of holders of Tier 1 capital as defined in the RBI Guidelines. “**RBI Guidelines**” means, in respect of any Series of Notes, the Reserve Bank of India’s Master Circular - Basel III Capital Regulations RBI 2015-16/58 DBR.No.BP.BC.1/21.06.201/2015-16 dated 1 July 2015, as amended or updated at any time prior to the earliest date on which any Note of such Series was issued.

No Noteholder, Receiptholder or Couponholder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Tier 2 Notes and each Noteholder, Receiptholder and Couponholder shall by virtue of its subscription, purchase or holding of any Tier 2 Note, be deemed to have waived all such rights of set-off to the fullest extent permitted by law.

“**Subordinated Indebtedness**” means all indebtedness of the Issuer which by its terms is subordinated, in the event of the liquidation or winding up (as determined pursuant to the SBI Act) of the Issuer, in right of payment to the claims of unsubordinated creditors of the Issuer and so that, for the purpose of this definition, indebtedness shall include all liabilities, whether actual or contingent, under guarantees or indemnities.



### 3.3 Status of the Additional Tier 1 Notes

*This Condition 3.3 applies only to Notes specified in the applicable Pricing Supplement as “Additional Tier 1 Notes”.*

#### (a) **Status**

The Additional Tier 1 Notes are direct and unsecured obligations of the Issuer and rank *pari passu* without preference among themselves. The rights and claims of Noteholders in respect of, or arising under, the Additional Tier 1 Notes are subordinated in the manner described in Condition 3.3(b).

*The Additional Tier 1 Notes are not deposits of the Issuer and are not guaranteed or insured by the Issuer or any party related to the Issuer and they may not be used as collateral for any loan made by the Issuer or any of its subsidiaries or affiliates.*

#### (b) **Subordination**

The Issuer, for itself, its successors and assignees, covenants and agrees, and each Noteholder by subscribing for or purchasing an Additional Tier 1 Note irrevocably acknowledges and agrees, that:

- (i) the indebtedness evidenced by the Additional Tier 1 Notes constitutes unsecured and subordinated obligations of the Issuer; and
- (ii) the subordination is for the benefit of the holders of indebtedness that ranks senior to the Additional Tier 1 Notes.

In the event of a liquidation or winding up (as determined pursuant to the SBI Act) of the Issuer, claims of the holders of Additional Tier 1 Notes and any related receipts pursuant thereto in respect of the Additional Tier 1 Notes will rank:

- (i) senior to the claims of investors in equity shares and perpetual non-cumulative preference shares of the Issuer;
- (ii) subordinate to the claims of all depositors and general creditors and holders of subordinated debt of the Issuer (including holders of Tier 2 Notes) other than any subordinated debt qualifying as Additional Tier 1 Capital of the Issuer (as defined under the RBI Guidelines); and
- (iii) *pari passu* and without preference among themselves and with any other claims in respect of debt instruments classified as Additional Tier 1 Capital under the RBI Guidelines and, to the extent permitted by the RBI Guidelines, at least *pari passu* with any subordinated obligation that was eligible for inclusion in hybrid Tier I capital under the Basel II guidelines of the RBI prevailing as at its issue date.

*The principal of, and interest and any additional amounts payable on, the Additional Tier 1 Notes will be subordinated in right of payment upon the occurrence of any winding up or liquidation proceeding to the prior payment in full of all deposit liabilities and all other liabilities of the Issuer (including liabilities of all offices and branches of the Issuer wherever located and any subordinated debt securities of the Issuer that rank senior to the Additional Tier 1 Notes), except in each case to those liabilities which by their terms rank, or are expressed to rank, equally in right of payment with or which are subordinated to the Additional Tier 1 Notes, in the manner and to the extent provided in the Trust Deed.*

No Noteholder or Receiptholder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Additional Tier 1 Notes and each Noteholder and Receiptholder shall by virtue of its subscription, purchase or holding of any Additional Tier 1 Note, be deemed to have waived all such rights of set-off to the fullest extent permitted by law.

The Additional Tier 1 Notes are neither secured nor covered by a guarantee of the Issuer nor related entity or other arrangement that legally or economically enhances the seniority of the claim vis-à-vis bank creditors.

The Additional Tier 1 Notes will not contribute to liabilities exceeding assets if such a balance sheet test forms part of a requirement to prove insolvency under any law or otherwise. Accordingly, a payment in respect of the Additional Tier 1 Notes will not be due and payable to the extent that the Issuer is not solvent (as determined pursuant to Indian law) at the time of such payment or would not be solvent (as determined pursuant to Indian law) immediately after such payment.

As used in these Conditions:

- (a) “**Additional Tier 1 Capital**” has the meaning given to it in the RBI Guidelines;
- (b) “**Common Equity Tier 1 Capital**” has the meaning given to it in the RBI Guidelines;
- (c) “**Group**” means the Issuer and each subsidiary that is part of its prudential consolidated group from time to time; and
- (d) “**Tier 1 Capital**” has the meaning given to it in the RBI Guidelines.

*As a consequence of these subordination provisions, if a winding up proceeding should occur, the Noteholders and Receiptholders may recover less rateably than the holders of deposit liabilities or the holders of other unsubordinated liabilities of the Issuer. Moreover, holders of Additional Tier 1 Notes would likely be required to pursue their claims on the Additional Tier 1 Notes in proceedings in India as further described in Condition 12.3.*

*Holders of the Additional Tier 1 Notes will not be entitled to receive notice of, or attend or vote at, any meeting of shareholders of the Issuer or participate in the management of the Issuer.*

*As of June 30, 2017, the Issuer had borrowings ranking senior to Additional Tier 1 Notes of an amount of approximately Rs.37.1 billion. The Additional Tier 1 Notes do not limit the amount of liabilities ranking senior or equal to the Additional Tier 1 Notes.*

*To the extent that holders of the Additional Tier 1 Notes are entitled to any recovery with respect to the Additional Tier 1 Notes in any Indian proceedings, such holders may not be entitled in such proceedings to a recovery in U.S. dollars and may be entitled to a recovery in Indian Rupees.*

*For the avoidance of doubt if the Issuer goes into liquidation or winding-up (as determined pursuant to the SBI Act) before any Write-Down under Condition 9, the Additional Tier 1 Notes will absorb losses in accordance with Condition 3.3(b).*

## 4. NEGATIVE PLEDGE

*This Condition 4 applies only to Notes specified in the applicable Pricing Supplement as “Senior Notes”.*

### 4.1 Negative Pledge

So long as any of the Senior Notes remains outstanding (as defined in the Trust Deed) the Issuer will not, without:

- (i) the approval of an Extraordinary Resolution (as defined in the Trust Deed); or
- (ii) according to the Senior Notes and any relative Receipts and Coupons, to the satisfaction of the Trustee, the same security or such other security as the Trustee in its absolute discretion, shall deem not materially less beneficial to the interests of the Noteholders,

create or permit to be outstanding any Encumbrance upon the whole or any part of its properties, assets or revenues to secure External Obligations.

### 4.2 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 (a) are payable in a currency other than Rupees and (b) which are quoted, listed or ordinarily dealt in on any stock exchange or over-the-counter or other securities market outside India.

## 5. REDENOMINATION

### 5.1 Redenomination

Where redenomination is specified in the applicable Pricing Supplement as being applicable, the Issuer may, without the consent of the Noteholders, the Receiptholders or the Couponholders, on giving 30 days’ prior notice to the Trustee, the Principal Paying Agent, Euroclear and/or Clearstream as applicable, and at least 30 days’ prior notice to the Noteholders in accordance with Condition 16, elect that, with effect from the Redenomination Date specified in the notice, the Notes shall be redenominated in euro.

The election will have effect as follows:

- (a) the Notes and the Receipts shall be deemed to be redenominated into euro in the denomination of euro 0.01 with a nominal amount in euro for each Note and Receipt equal to the nominal amount of that Note or Receipt in the Specified Currency, converted into euro at the Established Rate, provided that, if the Issuer determines, with the agreement of the Principal Paying Agent and the Trustee, that the then market practice in respect of the redenomination into euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, the stock exchange (if any) on which the Notes are for the time being listed and the Agents of such deemed amendments;

- (b) save to the extent that an Exchange Notice has been given in accordance with Condition 5.1(d) below, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate nominal amount of Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest euro 0.01;
- (c) if definitive Notes are required to be issued after the Redenomination Date, they shall be issued at the expense of the Issuer in the denominations of €1,000, €10,000, €100,000 and (but only to the extent of any remaining amounts less than €1,000 or such smaller denominations as the Issuer in conjunction with the Principal Paying Agent may determine) €0.01 and such other denominations as the Issuer shall determine and notify to the Noteholders;
- (d) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date on which the Issuer gives notice (the “**Exchange Notice**”) that replacement euro-denominated Notes, Receipts and Coupons are available for exchange (provided that such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Notes and Receipts so issued will also become void on that date although those Notes and Receipts will continue to constitute valid exchange obligations of the Issuer. New euro-denominated Notes, Receipts and Coupons will be issued in exchange for Notes, Receipts and Coupons denominated in the Specified Currency in such manner as the Principal Paying Agent may specify and as shall be notified to the Noteholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Notes;
- (e) after the Redenomination Date, all payments in respect of the Notes, the Receipts and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in euro as though references in the Notes to the Specified Currency were to euro. Payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque;
- (f) if the Notes are Fixed Rate Notes and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated by applying the Rate of Interest to:
  - (a) in the case of the Notes represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); and
  - (b) in the case of definitive Notes, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is the multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding;

- (g) if the Notes are Floating Rate Notes, the applicable Pricing Supplement will specify any relevant changes to the provisions relating to interest; and
- (h) such other changes shall be made to these Conditions as the Issuer may decide, after consultation with the Trustee and the Principal Paying Agent, and as may be specified in the notice, to conform them to conventions then applicable to instruments denominated in euro.

## 5.2 Definitions

In these Conditions, the following expressions have the following meanings:

“**Established Rate**” means the rate for the conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Union regulations) into euro established by the Council of the European Union pursuant to Article 123 of the Treaty;

“**euro**” and “**€**” means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty;

“**Redenomination Date**” means (in the case of interest bearing Notes) any date for payment of interest under the Notes or (in the case of Zero Coupon Notes) any date, in each case specified by the Issuer in the notice given to the Noteholders pursuant to paragraph (a) above and which falls on or after the date on which the country of the Specified Currency first participates in the third stage of European economic and monetary union; and

“**Treaty**” means the Treaty establishing the European Community, as amended by the Treaty on European Union, as amended.

## 6. INTEREST

### 6.1 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the nominal amount paid up, or, if it is a Subordinated Note, on its Outstanding Nominal Amount) from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

Except as provided in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Pricing Supplement, amount to the Broken Amount so specified.

As used in these Conditions, “**Fixed Interest Period**” means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If interest is required to be calculated for a period other than a Fixed Interest Period, such interest shall be calculated by applying the Rate of Interest to:

- (A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up or if Subordinated Notes, Outstanding Nominal Amount); or

- (B) in the case of Fixed Rate Notes in definitive form or AMTNs, the Calculation Amount (as defined in the applicable Pricing Supplement) (as modified, in respect of Subordinated Notes, pursuant to any Write-Downs or Reinstatements);

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest in accordance with this Condition 6.1:

- (a) if “**Actual/Actual (ICMA)**” is specified in the applicable Pricing Supplement:
- (i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “**Accrual Period**”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or
  - (ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - (A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
    - (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; or
- (b) if “**30/360**” is specified in the applicable Pricing Supplement, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360;
- (c) if “**Actual/365 (Fixed)**” is specified in the applicable Pricing Supplement, the actual number of days in the Accrual Period divided by 365; or
- (d) if “**RBA Bond Basis**” is specified in the applicable Pricing Supplement, one divided by the number of Interest Payment Dates in a year or, where the Calculation Period does not constitute a Fixed Interest Period, the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of:

- (i) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366; and
- (ii) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365).

In these Conditions:

“**Calculation Period**” means a period in relation to the calculation of an amount of interest on any AMTNs for any period of time (from and including the first day of such period to but excluding the last day of such period);

“**Determination Period**” means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

“**sub-unit**” means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

## 6.2 Interest on Floating Rate Notes and Index Linked Interest Notes

### (a) *Interest Payment Dates*

Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up, or , if it is a Subordinated Note, on its Outstanding Nominal Amount) from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (i) the Specified Interest Payment Date(s) in each year specified in the applicable Pricing Supplement; or
- (ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, each date (each such date, together with each Specified Interest Payment Date, an “**Interest Payment Date**”) which falls the number of months or other period specified as the Specified Period in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In these Conditions, **Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

### (b) *Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Pricing Supplement.

#### (i) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any). For the purposes of this sub-paragraph (A),



“**ISDA Rate**” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent, or the Australian Agent in the case of AMTNs, under an interest rate swap transaction if the Principal Paying Agent, or the Australian Agent in the case of AMTNs, were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the “**ISDA Definitions**”) and under which:

- (A) the Floating Rate Option is as specified in the applicable Pricing Supplement;
- (B) the Designated Maturity is a period specified in the applicable Pricing Supplement; and
- (C) the relevant Reset Date is the day specified in the applicable Pricing Supplement.

For the purposes of this Condition 6.2(b)(i), “**Floating Rate**”, “**Calculation Agent**”, “**Floating Rate Option**”, “**Designated Maturity**” and “**Reset Date**” have the meanings given to those terms in the ISDA Definitions.

(ii) *Screen Rate Determination for Floating Rate Notes*

Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (A) the offered quotation; or
- (B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (being either LIBOR or EURIBOR as specified in the applicable Pricing Supplement) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at 11.00 a.m. (Relevant Financial Center time) on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement and the Australian Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of Condition 6.2(b)(ii)(A) above, no such offered quotation appears or, in the case of Condition 6.2(b)(ii)(B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

Unless otherwise stated in the applicable Pricing Supplement the Minimum Rate of Interest shall be deemed to be zero.

(c) *Minimum and/or maximum Rate of Interest*

If the applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 6.2(b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 6.2(b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(d) *Determination of Rate of Interest and calculation of Interest Amounts*

The Principal Paying Agent, in the case of Floating Rate Notes, the Australian Agent in the case of the AMTNs, and the Calculation Agent, in the case of Index Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Principal Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same. If required to be calculated by it, the Principal Paying Agent or, as the case may be, the Calculation Agent shall cause the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Installment Amount to be notified to the Trustee, the Issuer, each of the Paying Agents, the Noteholders and, if the Notes are listed on a stock exchange and the rules of such stock exchange or other relevant authority so require, such stock exchange or other relevant authority as soon as practicable after calculating the same.

The Principal Paying Agent, or the Australian Agent in the case of AMTNs, will calculate the amount of interest (the “**Interest Amount**”) payable on the Floating Rate Notes or Index Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes or Index Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up);
- (B) in the case of Floating Rate Notes which are AMTNs, the aggregate outstanding nominal amount of the Notes; or
- (C) in the case of Floating Rate Notes or Index Linked Interest Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or an Index Linked Interest Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest in accordance with this Condition 6.2:

- (i) if “**Actual/Actual**” or “**Actual/Actual (ISDA)**” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if “**Actual/365 (Fixed)**” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;
- (iii) if “**Actual/365 (Sterling)**” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if “**Actual/360**” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;
- (v) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360X(Y^2-Y^1)]+[30X(M^2-M^1)]+(D^2-D^1)}{360}$$

where:

“**Y<sup>1</sup>**” is the year, expressed as a number, in which the first day of the Interest Period falls;

“**Y<sup>2</sup>**” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“**M<sup>1</sup>**” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“**M<sup>2</sup>**” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“**D<sup>1</sup>**” is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D1 will be 30; and

“**D<sup>2</sup>**” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

- (vi) if “**30E/360**” or “**Eurobond Basis**” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360X(Y^2-Y^1)]+[30X(M^2-M^1)]+(D^2-D^1)}{360}$$

where:

“**Y<sup>1</sup>**” is the year, expressed as a number, in which the first day of the Interest Period falls;

“**Y<sup>2</sup>**” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“**M<sup>1</sup>**” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“**M<sup>2</sup>**” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“**D<sup>1</sup>**” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30; and

“**D<sup>2</sup>**” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D2 will be 30;

- (vii) if “**30E/360 (ISDA)**” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

where:

“**Y<sup>1</sup>**” is the year, expressed as a number, in which the first day of the Interest Period falls;

“**Y<sup>2</sup>**” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“**M<sup>1</sup>**” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“**M<sup>2</sup>**” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“**D<sup>1</sup>**” is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

“**D<sup>2</sup>**” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30.

(e) ***Linear Interpolation***

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Pricing Supplement, the Rate of Interest for such Interest Period shall be calculated by the Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Pricing Supplement) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Pricing Supplement), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if

the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

“**Designated Maturity**” means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

(f) *Notification of Rate of Interest and Interest Amounts*

The Principal Paying Agent, or the Australian Agent in the case of AMTNs, will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee and any stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and notice thereof to be published in accordance with Condition 16 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter, in the case of Notes, and no later than the fourth Australian Business Day thereafter in the case of AMTNs. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 16. For the purposes of this paragraph, the expression:

- (a) “**London Business Day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London; and
- (b) “**Australian Business Day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in Sydney and Melbourne.

(g) *Determination or Calculation by Trustee*

If for any reason at any relevant time the Principal Paying Agent, the Australian Agent in the case of the AMTNs, or, as the case may be, the Calculation Agent defaults in its obligation to determine the Rate of Interest or the Principal Paying Agent defaults in its obligation to calculate any Interest Amount in accordance with Condition 6.2(b)(i) or Condition 6.2(b)(ii) above or as otherwise specified in the applicable Pricing Supplement, as the case may be, and in each case in accordance with Condition 6.2(d) above, the Trustee may (but shall not be obliged to) determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition 6.2, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Pricing Supplement), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee may (but shall not be obliged to) calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Principal Paying Agent, the Australian Agent or the Calculation Agent, as applicable.

(h) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 6, whether by the Principal Paying Agent, the Australian Agent in the case of AMTNs, or, if applicable, the Calculation Agent or the Trustee, shall (in the case of any certificate, communication, opinion, determination, calculation, quotation or decision given, expressed, made or obtained by the Principal Paying Agent, the Australian Agent in the case of the AMTNs or the Calculation Agent, in the absence of willful default, bad faith, manifest error or proven

error or, in the case of any certificate, communication, opinion, determination, calculation, quotation or decision given, expressed, made or obtained by the Trustee, in the absence of manifest error or fraud) be binding on the Issuer, the Trustee, the Principal Paying Agent, the Australian Agent in the case of AMTNs, the Calculation Agent (if applicable), the other Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent or, if applicable, the Calculation Agent, the Australian Agent in the case of the AMTNs or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

### **6.3 Interest on Dual Currency Interest Notes**

The rate or amount of interest payable in respect of Dual Currency Interest Notes shall be determined in the manner specified in the applicable Pricing Supplement.

### **6.4 Interest on Partly Paid Notes**

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

### **6.5 Accrual of Interest**

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Note have been paid; and
- (b) as provided in the Trust Deed.

### **6.6 Definitions**

In these Conditions, if a Business Day Convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (A) in any case where Specified Periods are specified in accordance with Condition 6.2(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (i) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls in the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

- (C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, “**Business Day**” means a day which is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in each Additional Business Center (other than TARGET2 System) specified in the applicable Pricing Supplement;
- (b) if TARGET2 System is specified as an Additional Business Center in the applicable Pricing Supplement, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the “**TARGET2 System**”) is open; and
- (c) either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial center of the country of the relevant Specified Currency (if other than any Additional Business Center and which, if the Specified Currency is Australian dollars, shall be Sydney and Melbourne or, if New Zealand dollars, shall be Auckland and Wellington, respectively) or (ii) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

## **6.7 Payment limitation — Additional Tier 1 Notes**

*This Condition 6.7 applies only to Additional Tier 1 Notes.*

- (a) The Issuer may, at its full discretion and as it deems fit, in accordance with the RBI Guidelines, elect at any time to cancel (in whole or in part) interest otherwise scheduled to be paid on an Interest Payment Date.

Further, the Issuer will cancel (in whole or, as the case may be, in part) the payment of any interest otherwise scheduled to be paid on an Interest Payment Date to the extent that such payment of interest on the Additional Tier 1 Notes is not permitted to be paid under the RBI Guidelines.

*Pursuant to the RBI Guidelines, coupons on all Additional Tier 1 instruments (such as the Additional Tier 1 Notes) must be paid out of distributable items. In this context, coupons may be paid out of current year profits. However, if current year profits are not sufficient, coupon may be paid subject to availability of sufficient revenue reserves (those which are not created for specific purposes by a bank) and / or credit balance in profit and loss account, if any. However, payment of coupons on Additional Tier 1 Notes from the revenue reserves is subject to the Issuer meeting minimum regulatory requirements for CET1, Tier 1 and Total Capital ratios at all times and subject to the requirements of capital buffer frameworks (i.e. capital conservation buffer, countercyclical capital buffer and Domestic Systemically Important Banks).*

- (b) Interest on the Additional Tier 1 Notes will be non-cumulative. If interest is not paid in whole or in part on an Interest Payment Date pursuant to and in accordance with this Condition 6.7, or is cancelled pursuant to Condition 9, such interest will not be



due and payable and the right of Noteholders, Receiptholders and Couponholders to receive interest in respect of the Interest Period ending on such Interest Payment Date will be lost and the Issuer will have no further obligation in respect of the interest for such Interest Period, whether or not any amount of interest is paid for any future Interest Period. Non-Payment of interest in accordance with this Condition 6.7 will not constitute an event of default in respect of the Additional Tier 1 Notes. For the avoidance of doubt, no Noteholder shall have any claim in respect of any interest or part thereof cancelled pursuant to this Condition 6.7. Accordingly, such interest shall not accumulate for the benefit of Noteholders or entitle the Noteholders to any claim in respect thereof against the Issuer.

- (c) In the event that the Issuer determines that it shall not, or is not permitted to, make a payment of interest on Additional Tier 1 Notes in accordance with this Condition 6.7, the Issuer shall notify or procure notification as soon as possible, but not more than 60 calendar days prior to the relevant Interest Payment Date, to the Trustee (in a certificate signed by two directors of the Issuer), the Paying Agents, the relevant stock exchange(s) (if any) on which the Additional Tier 1 Notes are for the time being listed and the holders of Additional Tier 1 Notes (in accordance with Condition 16) of that fact and of the amount that shall not be paid provided that failure to give such notice shall not affect the cancellation of any interest payment (in whole or, as the case may be, in part) and shall not constitute a default.
- (d) If for any reason any payment of interest is not paid in full on an Interest Payment Date then, from the date of which such cancellation has first been notified to any of the Trustee, the Principal Paying Agent or the Noteholders (a “**Dividend Stopper Date**”), the Issuer will not, so long as any of the Additional Tier 1 Notes are outstanding:
  - (i) declare or pay any discretionary distribution or dividend or make any other payment on, or directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire its Common Equity Tier 1 Capital (other than to the extent that any such distribution, dividend or other payment is declared before such Dividend Stopper Date; or
  - (ii) pay discretionary interest or any other distribution on, or directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire, any of its instruments or securities ranking, as to the right of payment of dividend, distributions or similar payments, *pari passu* with, or junior to, the Additional Tier 1 Notes (excluding securities the terms of which stipulate a mandatory redemption).

in each case unless or until the next Interest Payment Date following the Dividend Stopper Date on which an interest amount has been paid in full (or an equivalent amount has been separately set aside for payment to the Noteholders), or the prior approval of the Noteholders has been obtained via an Extraordinary Resolution.

- (e) Nothing in Condition 6.7(d) will:
  - (i) stop payment on another instrument where the payments on such an instrument are not fully discretionary;
  - (ii) prevent distribution to shareholders for a period that extends beyond the point in time at which interest on the Additional Tier 1 Notes is resumed;
  - (iii) impede the normal operation of the Issuer, including actions in connection with employee share plans or any restructuring activity, including acquisitions and disposals; or

- (iv) impede the full discretion that the Issuer has, at all times, to cancel distributions or payments on the Additional Tier 1 Notes nor act in a way that could hinder the recapitalization of the Issuer.

## **7. PAYMENTS**

### **7.1 Method of payment**

Subject as provided below:

- (a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with a bank in the principal financial center of the country of such Specified Currency (which, if the Specified Currency is Australian dollars, shall be Sydney and Melbourne or, if New Zealand dollars, shall be Auckland and Wellington); and
- (b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee.

### **7.2 Presentation of Definitive Bearer Notes, Receipts and Coupons**

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 7.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America and its possessions).

Payments of Installment Amounts (if any) in respect of definitive Bearer Notes, other than the final installment, will (subject as provided below) be made in the manner provided in Condition 7.1 above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final installment will be made in the manner provided in Condition 7.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Bearer Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant installment together with the definitive Bearer Note to which it appertains. Receipts presented without the definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form (other than Dual Currency Notes, Index Linked Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any

time before the expiry of ten years after the Relevant Date (as defined in Condition 10) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 11) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Index Linked Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A “**Long Maturity Note**” is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

If, upon presentation of a Subordinated Note at the specified office of any Paying Agent, the Outstanding Nominal Amount of the Subordinated Note is less than its Issued Nominal Amount, the relevant Paying Agent shall procure that a statement indicating (1) the amount and the date of any Write-Down and (if applicable and only in relation to Additional Tier 1 Notes) any Reinstatement in relation to the Subordinated Note and (2) the Outstanding Nominal Amount of the Subordinated Note as at the date on which it is so presented, be endorsed on the relevant Subordinated Note prior to any payment in respect of such Subordinated Note being made.

### **7.3 Payments in Respect of Bearer Global Notes**

Payments of principal and interest (if any) in respect of Notes represented by any Bearer Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes and otherwise in the manner specified in the relevant Global Note against presentation or surrender of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Bearer Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Paying Agent to which it was presented and such record shall be *prima facie* evidence that the payment in question has been made.

### **7.4 Payments in Respect of Registered Notes (other than AMTNs)**

This Condition 7.4 does not apply to AMTNs.

Payments of principal (other than Installment Amounts prior to the final installment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the “**Register**”) (i) where in global form, at the close of the

business day (being for this purpose a day on which Euroclear and Clearstream are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the principal amount of the Notes held by a holder is less than U.S.\$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, “**Designated Account**” means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and “**Designated Bank**” means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial center of the country of such Specified Currency (which, if the Specified Currency is Australian dollars, shall be Sydney and Melbourne or, if New Zealand dollars, shall be Auckland and Wellington) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest and payments of Installment Amounts (other than the final installment) in respect of each Registered Note (whether or not in global form) will be made by transfer on the due date of the Designated Account of the holder (or the first named of joint holders) of the Registered Note appearing in the Register (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the “**Record Date**”). Payment of the interest due in respect of each Registered Note on redemption and the final installment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

No commissions or expenses shall be charged to the holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

All amounts payable to DTC or its nominee as registered holder of a Registered Global Note in respect of Notes denominated in a Specified Currency other than U.S. dollars shall be paid by transfer by the Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for payment in such Specified Currency for conversion into U.S. dollars in accordance with the provisions of the Agency Agreement.

None of the Issuer, the Trustee or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

## **7.5 General Provisions Applicable to Payments**

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes (other than AMTNs) represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear, Clearstream or DTC as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear, Clearstream or DTC, as the case may be, for his share of each payment so made by the Issuer in respect of such Global Note.

Notwithstanding the foregoing provisions of this Condition 7.5, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes (other than AMTNs) will be made at the specified office of a Paying Agent in the United States only if:

- (a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;
- (b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

## 7.6 Payment Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, “**Payment Day**” means any day which (subject to Condition 11) is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
  - (i) in the case of Notes in definitive form only, the relevant place of presentation; and
  - (ii) any Additional Financial Center (other than TARGET2 System) specified in the applicable Pricing Supplement; and
- (b) if TARGET2 System is specified as an Additional Financial Center in the applicable Pricing Supplement, a day on which the TARGET2 System is open; and
- (c) either (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial center of the country of the relevant Specified Currency (which, if the Specified Currency is Australian dollars, shall be Sydney and Melbourne or, if New Zealand dollars, shall be Auckland and Wellington) or (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open; and
- (d) in the case of any payment in respect of a Registered Global Note denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such Registered Global Note) has elected to receive any part of such payment in U.S. dollars, a day other than a Saturday or Sunday or any other day on which commercial banks are not authorized or required by law or regulation to be closed in New York City.

## 7.7 Interpretation of Principal and Interest

Any reference in these Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (a) any additional amounts which may be payable with respect to principal under Condition 10 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;
- (b) the Final Redemption Amount of the Notes;
- (c) the Early Redemption Amount of the Notes;
- (d) the Optional Redemption Amount(s) (if any) of the Notes;
- (e) in relation to Notes redeemable in installments, the Installment Amounts;
- (f) in relation to Zero Coupon Notes, the Amortized Face Amount (as defined in Condition 8.6); and
- (g) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 10 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

## 7.8 Payments Subject to Fiscal and Other Laws

Payments will be subject in all cases, to (i) any fiscal or other laws and regulations applicable thereto, but without prejudice to the provisions of Condition 10, in the place of payment, 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, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 10) any law implementing an intergovernmental approach thereto.

## 7.9 AMTNs

- (a) The Australian Agent will act (through its office as specified in the Pricing Supplement) as paying agent for AMTNs pursuant to the Australian Agency Agreement. For the purposes of this Condition 7.9, in relation to AMTNs, “**Business Day**” has the meaning given in the Australian Agency Agreement.
- (b) Payments of principal and interest will be made in Sydney in Australian dollars to the persons registered at the close of business in Sydney on the relevant Record Date (as defined below) as the holders of such AMTNs, subject in all cases to normal banking practice and all applicable laws and regulations. Payment will be made by cheque drawn on the Sydney branch of an Australian bank dispatched by post on the relevant payment date at the risk of the Noteholder or, at the option of the Noteholder, by the Australian Agent giving in Sydney irrevocable instructions for the effecting of a transfer of the relevant funds to an Australian dollar account in Australia specified by the Noteholder to the Australian Agent (or in any other manner in Sydney which the Australian Agent and the Noteholder agree).



- (c) In the case of payments made by electronic transfer, payments will for all purposes be taken to be made when the Australian Agent gives irrevocable instructions in Sydney for the making of the relevant payment by electronic transfer, being instructions which would be reasonably expected to result, in the ordinary course of banking business, in the funds transferred reaching the account of the Noteholder on the same day as the day on which the instructions are given.
- (d) If a cheque posted or an electronic transfer for which irrevocable instructions have been given by the Australian Agent is shown, to the satisfaction of the Australian Agent, not to have reached the Noteholder and the Australian Agent is able to recover the relevant funds, the Australian Agent may make such other arrangements as it thinks fit for the effecting of the payment in Sydney.
- (e) Interest will be calculated in the manner specified in Condition 6 and will be payable to the persons who are registered as Noteholders at the close of business in Sydney on the relevant Record Date and cheques will be made payable to the Noteholder (or, in the case of joint Noteholders, to the first-named) and sent to their registered address, unless instructions to the contrary are given by the Noteholder (or, in the case of joint Noteholders, by all the Noteholders) in such form as may be prescribed by the Australian Agent. Payments of principal will be made to, or to the order of, the persons who are registered as Noteholders at the close of business in Sydney on the relevant Record Date, subject, if so directed by the Australian Agent, to receipt from them of such instructions as the Australian Agent may require.
- (f) If any day for payment in respect of any AMTN is not a Business Day, such payment shall not be made until the next following day which is a Business Day, and no further interest shall be paid in respect of the delay in such payment.
- (g) Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto. Neither the Issuer nor the Australian Agent shall be liable to any Noteholder or other person for any commissions, costs, losses or expenses in relation to or resulting from such payments.

In this Condition 7.9 in relation to AMTNs, “**Record Date**” means, in the case of payments of principal or interest, the close of business in Sydney on the date which is the fifteenth calendar day before the due date of the relevant payment of principal or interest.

## **8. REDEMPTION AND PURCHASE**

*For the avoidance of doubt, any redemption or repurchase of Tier 2 Notes or Additional Tier 1 Notes under this Condition 8 shall be subject to regulatory preconditions, including the prior approval of the RBI. The RBI, while considering the request of the Issuer to so redeem the securities, may take into consideration, amongst other things, the Issuer’s capital adequacy position both at the time of the proposed redemption and thereafter.*

### **8.1 Redemption at maturity**

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Index Linked Redemption Note and Dual Currency Redemption Note), save for any Additional Tier 1 Note, will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date, subject to compliance with the applicable regulatory requirements.

*The Additional Tier 1 Notes are perpetual with no scheduled maturity date and may only be redeemed in accordance with Conditions 8.2, 8.3 or 8.4 and subject to the conditions and limitations set forth therein.*



## 8.2 Redemption or Variation for Tax Reasons (Tax Event Call)

In the case of Senior Notes or Tier 2 Notes with no Optional Redemption Date, at any time prior to the applicable Maturity Date or, in the case of Tier 2 Notes with an Optional Redemption Date or Additional Tier 1 Notes, at any time prior to the first Optional Redemption Date as specified in the applicable Pricing Supplement, the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if the Note is neither a Floating Rate Note nor an Index Linked Interest Note) or on any Interest Payment Date (if the Note is either a Floating Rate Note or an Index Linked Interest Note), on giving not less than 30 nor more than 60 days' notice to the Trustee, and the Principal Paying Agent and the Australian Agent in the case of AMTNs and, in accordance with Condition 16, the Noteholders (which notice shall specify the date fixed for redemption and which shall, subject to Condition 9 in respect of Subordinated Notes, be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

- (a) 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 10, or (in the case of Subordinated Notes only) will, having been entitled to claim a deduction, no longer be entitled to claim a deduction in respect of computing its taxation liabilities with respect to interest on the Subordinated Notes, in each case as a result of any change in, or amendment to, the laws, regulations or rulings of India or, in addition, if the Issuer is acting through a particular branch (as specified in the applicable Pricing Supplement) (the "**Specified Branch**"), the country where that branch is located (the "**Specified Country**"), 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 the date on which agreement is reached to issue the first Tranche of the Notes for such series (or, in the case of Subordinated Notes, the Issue Date of such Notes); and
- (b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

(a "**Tax Event**")

provided that (1) in the case of Subordinated Notes, the Conditions for Redemption set out in Condition 8.12 shall have been satisfied and (2) 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.

In the case of Subordinated Notes, the Issuer may (subject to compliance with the Conditions for Redemption) elect, instead of redeeming the Notes on the occurrence of a Tax Event, to vary the terms of the Subordinated Notes so that they become or remain Qualifying Subordinated Notes.

Prior to the publication of any notice of redemption pursuant to this Condition 8.2, the Issuer shall deliver to the Trustee to make available at its specified office to the Noteholders (1) 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 (2) 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 and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

As used in this Condition 8:

- (a) **authorized officer of the Issuer** shall mean a person (a) who is duly authorized by (i) the Chairman and Managing Director of the Issuer or (ii) the Fund Management Committee of the Issuer or (b) who is a constituted attorney of the Issuer; and
- (b) **Qualifying Subordinated Notes** means instruments issued by the Issuer (or by the State Bank of India acting through another of its branches) that:
  - (i) will be eligible to constitute (or would, but for any applicable limitation on the amount of such capital, constitute) Additional Tier 1 Capital (in the case of variation of Additional Tier 1 Notes) or Tier 2 Capital (in the case of variation of Tier 2 Notes), including that they are fully paid-in;
  - (ii) have terms and conditions not materially less favorable to a Noteholder than the Subordinated Notes (as reasonably determined by the Issuer (provided that in making this determination the Issuer is not required to take into account the tax treatment of the new instrument in the hands of all or any holders of the Subordinated Notes, or any transfer or similar taxes that may apply on the acquisition of the new instrument) provided that a certification to such effect of an authorized signatory of the Issuer shall have been delivered to the Trustee prior to the variation of the terms of the instruments);
  - (iii) shall not at such time be subject to a Tax Event or a Regulatory Event;
  - (iv) will constitute direct obligations of the Issuer (or the State Bank of India acting through another of its branches, as applicable);
  - (v) rank, on a liquidation or winding up (as determined pursuant to the SBI Act) of the Issuer, at least *pari passu* with the obligations of the Issuer in respect of other Additional Tier 1 Capital (in the case of variation of Additional Tier 1 Notes) or Tier 2 Capital (in the case of variation of Tier 2 Notes);
  - (vi) have at least the same Outstanding Nominal Amount and interest payment or distribution dates as the Subordinated Notes and at least equal interest or distribution rate or rate of return as the Subordinated Notes;
  - (vii) are listed on the same stock exchange as the Subordinated Notes (or another securities exchange of international standing regularly used for the listing and quotation of debt securities offered and traded in the international markets);
  - (viii) have, to the extent such payment is not cancelled, the same claim to accrued but unpaid interest;
  - (ix) (where the instruments are varied prior to the first-occurring Optional Redemption Date) have the same issuer call date as the Subordinated Notes;
  - (x) have the same claim to amounts payable upon any redemption; and
  - (xi) which may include such technical changes as necessary to reflect the requirements of Additional Tier 1 Capital (in the case of variation of Additional Tier 1 Notes) or Tier 2 Capital (in the case of variation of Tier 2 Notes) under the RBI Guidelines then applicable to the Issuer.

Notes redeemed pursuant to this Condition 8.2 will be redeemed at their Early Redemption Amount referred to in Condition 8.6 below.

### 8.3 Redemption at the Option of the Issuer (Issuer Call)

If Issuer Call is specified in the applicable Pricing Supplement, the Issuer may, (1) in the case of Subordinated Notes, at its sole discretion but only upon the expiry of five years from the Issue Date and subject to the Conditions for Redemption, and (2) in the case of any Note having given:

- (a) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 16; and
- (b) not less than seven days before the giving of the notice referred to in Condition 8.3(a), notice to:
  - (i) the Trustee, the Principal Paying Agent and the Australian Agent in the case of AMTNs; and
  - (ii) in the case of a redemption of Registered Notes, the Registrar,

(which notices shall specify the date fixed for redemption and which shall, subject to Condition 9 in respect of Subordinated Notes, be irrevocable), redeem all or (except in the case of Subordinated Notes) some only of the Notes then outstanding on any Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate (and subject to Condition 6.7 in respect of Subordinated Notes), with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and/or not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Pricing Supplement. In the case of a partial redemption of Notes other than AMTNs, the Notes to be redeemed (“**Redeemed Notes**”) will (i) in the case of Redeemed Notes represented by definitive Notes, be selected individually by lot, not more than 30 days prior to the date fixed for redemption and (ii) in the case of Redeemed Notes represented by a Global Note, be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg and/or, as the case may be, DTC. In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 16 not less than 15 days prior to the date fixed for redemption.

In the case of a partial redemption of AMTNs, the AMTNs to be redeemed must be specified in the notice and selected (i) in a fair and reasonable manner; and (ii) in compliance with any applicable law, directive or requirement of any stock exchange or other relevant authority on which the AMTNs are listed.

*Any optional redemption of the Subordinated Notes is subject to compliance with applicable regulatory requirements, including the prior approval of the RBI. The RBI, while considering the request of the Issuer to so redeem any Notes, may take into consideration, amongst other things, the Issuer's capital adequacy position both at the time of the proposed redemption and thereafter.*

### 8.4 Redemption or Variation for Regulatory Reasons (Regulatory Event Call)

Subject to the Conditions for Redemption in Condition 8.12 having been satisfied, the Issuer may elect to redeem the Subordinated Notes in whole, but not in part, at any time prior to the first Optional Redemption Date (or, in the case of Tier 2 Notes with no Optional Redemption Date, at any time prior to the Maturity Date), on giving not less than 30 nor more than 60 days' notice to the Trustee and the Agents and, in accordance with Condition 16, the Noteholders (which notice shall specify the date fixed for redemption and which shall, subject to Condition 9, be irrevocable), if a Regulatory Event has occurred and is continuing.

In the case of Subordinated Notes, the Issuer may (subject to compliance with the Conditions for Redemption) elect, instead of redeeming the Notes on the occurrence of a Regulatory Event, to vary the terms of the Subordinated Notes so that they become or remain Qualifying Subordinated Notes.

Prior to the publication of any notice of redemption pursuant to this Condition 8.4, the Issuer shall deliver to the Trustee or the Principal Paying Agent to make available at its specified office to the Noteholders a certificate signed by an authorized officer of the Issuer stating that the circumstances referred to in this Condition 8.4 prevail (including the requirements of Condition 8.12) and setting out the details of such circumstances, and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders, Receiptholders and Couponholders.

Subordinated Notes redeemed pursuant to this Condition 8.4 will be redeemed at their Early Redemption Amount.

For the purposes of these Conditions:

A “**Regulatory Event**” occurs if, as result of a change in regulation, the Issuer is notified in writing by the RBI to the effect that the Outstanding Nominal Amount (or the amount that qualifies as regulatory capital, if some amount of the Notes is held by the Issuer or whose purchase is funded by the Issuer) of the Notes is fully or partly excluded from, in the case of Tier 2 Notes, the consolidated Tier 2 capital of the Issuer or, in the case of Additional Tier 1 Notes, the consolidated Tier 1 Capital of the Issuer.

## **8.5 Redemption of the Senior Notes at the Option of the Noteholders (Investor Put)**

### **(a) *If Investor Put is specified in the applicable Pricing Supplement***

If Investor Put is specified as being applicable in the relevant Pricing Supplement with respect to Senior Notes only, upon the holder of any Senior Note giving to the Issuer in accordance with Condition 16 not less than 30 nor more than 60 days’ notice (which notice shall be irrevocable) the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Pricing Supplement, such Senior Note on the Optional Redemption Date(s) and at the Optional Redemption Amount(s) together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date.

### **(b) *Put Option Exercise Procedures***

If this Senior Note is in definitive form, to exercise the right to require redemption of this Senior Note the holder of this Senior Note must deliver such Senior Note at the specified office of any Paying Agent (together with all unmatured Receipts and Coupons and unexchanged Talons in the case of Bearer Notes) or the Registrar (in the case of Senior Notes that are Registered Notes other than AMTNs) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, accompanied by a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a “**Put Notice**”) and in which the holder must specify a bank account to which payment is to be made under this Condition 8.5 accompanied by, if this Senior Note is in definitive form, this Senior Note or evidence satisfactory to the Paying Agent concerned that this Senior Note will, following delivery of the Put Notice, be held to its order or under its control and, in the case of Senior Notes that are Registered Notes (other than AMTNs), the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2.2.

Registered Notes may be redeemed under this Condition 8.5 in any multiple of their lowest Specified Denomination.

## 8.6 Early Redemption Amounts

For the purpose of Condition 8.2 above and Condition 12:

- (a) each Note (other than a Zero Coupon Note) will be redeemed at its Early Redemption Amount;
- (b) each Zero Coupon Note will be redeemed at an amount (the “**Amortized Face Amount**”) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

“**RP**” means the Reference Price;

“**AY**” means the Accrual Yield expressed as a decimal; and

“**y**” is the Day Count Fraction specified in the applicable Pricing Supplement which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365); and

- (c) each Subordinated Note will be redeemed at its Outstanding Nominal Amount together with any accrued (subject to Condition 6.7) but unpaid interest relating to the then current Interest Period up to (and excluding) the date on which the Subordinated Note is redeemed,

or on such other calculation basis as may be specified in the applicable Pricing Supplement.

## 8.7 Installments

Installment Notes will be redeemed in the Installment Amounts and on the Installment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 8.6 above.

## 8.8 Partly Paid Notes

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition 8 and the applicable Pricing Supplement.

## **8.9 Purchases**

The Issuer or any Subsidiary (as defined in the Trust Deed) of the Issuer may at any time purchase (i) Senior Notes, (ii) (subject to obtaining the prior approval of the RBI (Department of Banking Regulation) or other relevant authority) Subordinated Notes (provided that, in the case of definitive Bearer Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. If purchases are made by tender, tenders must be available to all Noteholders alike. Such Notes may be held, reissued, resold or, at the option of the Issuer surrendered to any Paying Agent and/or the Registrar for cancellation.

## **8.10 Cancellation**

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 8.9 above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and may not be reissued or resold.

## **8.11 Late Payment on Zero Coupon Notes**

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Conditions 8.1, 8.2, 8.3 or 8.5 above or upon its becoming due and repayable as provided in Condition 12 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 8.6(c) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Note has been received by the Trustee, the Principal Paying Agent or the Registrar and notice to that effect has been given to the Noteholders in accordance with Condition 16.

If any AMTN represented by an AMTN Certificate is redeemed or purchased and cancelled in accordance with this Condition 8 then (i) the applicable AMTN Certificate will be deemed to be surrendered and cancelled without any further formality, and (ii) where some, but not all, of the AMTNs represented by that AMTN Certificate are so redeemed, the Issuer will, promptly and without charge, issue and deliver, and procure the authentication by the Australian Agent of, a new AMTN Certificate in respect of those AMTNs that had been represented by the original AMTN Certificate and which remain outstanding following such redemption.

## **8.12 Conditions for Redemption and Variation of Subordinated Notes**

The Issuer shall not redeem or vary any of the Subordinated Notes unless:

- (i) the Issuer has obtained the prior approval of the Reserve Bank of India (Department of Banking Regulation);



- (ii) in the case of a Tax Event Call or a Regulatory Event Call, the change of law or regulation giving rise to the right to redeem or vary the Subordinated Securities has occurred after the Issue Date and the Reserve Bank of India is convinced that the Issuer was not in a position to anticipate the Tax Event or the Regulatory Event at the time of issuance of the Subordinated Notes; and
- (iii) in the case of a redemption, either (A) the Issuer replaces the Subordinated Notes with capital of the same or better quality and the replacement is done on conditions which are sustainable for the income capacity of the Issuer or (B) the Issuer demonstrates to the satisfaction of the Reserve Bank of India that its capital position would, following such redemption, be well above its minimum capital requirements after the call option is exercised,

(collectively, the “**Conditions for Redemption**”). Prior to any redemption of Subordinated Notes under this Condition 8, the Issuer shall deliver to the Trustee a certificate signed by an authorized officer of the Issuer confirming that the Issuer is entitled to effect the redemption and setting forth a statement of facts showing which Conditions have been satisfied. Such certificates shall be made available for inspection by the Noteholders. The Trustee shall be entitled without further action or enquiry to accept the certificate as conclusive and sufficient evidence of the contents and matters set forth therein.

## **9. LOSS ABSORPTION — SUBORDINATED NOTES**

*Each holder of Subordinated Notes shall be deemed to have authorized, directed and requested the Trustee, the Registrar and the other Agents, as the case may be, to take any and all necessary action to give effect to any Write-Down required by this Condition 9.*

### **9.1 Principal write-down on PONV Trigger Event**

This Condition 9.1 is applicable only to Subordinated Notes.

If a PONV Trigger Event occurs, the Issuer will:

- (a) deliver a Loss Absorption Event Notice to Noteholders in accordance with Condition 16 and to the Trustee and the Principal Paying Agent;
- (b) cancel any interest which is accrued and unpaid up to the relevant Loss Absorption Effective Date; and
- (c) in relation to Additional Tier 1 Notes, *pari passu* and pro rata with any other Tier 1 Loss Absorbing Instruments (where possible), or, in relation to Tier 2 Notes, *pari passu* and pro rata with any other Tier 2 Loss Absorbing Instruments and taking into account the prior loss absorption in full of Tier 1 Loss Absorbing Instruments (where possible) irrevocably, without the need for the consent of Noteholders or the Trustee, reduce the Outstanding Nominal Amount of each Note by the relevant Write-Down Amount (such reduction being referred to as a “Write-Down” and “Written Down” being construed accordingly),

subject as is otherwise required by the RBI at the relevant time. The Issuer will effect a Write-Down within 30 days of the Write-Down Amount being determined by the RBI.

If a Write-Down occurs in respect of less than the full Outstanding Nominal Amount of the Subordinated Notes, one or more further Write-Downs may occur in respect of one or more subsequent PONV Trigger Events. Once the Outstanding Nominal Amount of a Note has been Written Down pursuant to this Condition 9.1, the relevant Write-Down Amount will not be restored in any circumstances, including where the PONV Trigger Event has ceased to continue.



Following the giving of a Loss Absorption Event Notice which specifies a Write-Down of Additional Tier 1 Notes, the Issuer shall procure that a similar notice is, or has been, given in respect of each Tier 1 Loss Absorbing Instrument (in accordance with its terms), and the prevailing nominal amount of each Tier 1 Loss Absorbing Instrument outstanding (if any) is permanently written down or converted to equity on a pro rata basis with the Outstanding Nominal Amount of the Additional Tier 1 Notes, as soon as reasonably practicable following the giving of such Loss Absorption Event Notice and, where possible, within 30 days of the amount of the permanent write-down of such Tier 1 Loss Absorbing Instrument being determined by the RBI.

Following the giving of a Loss Absorption Event Notice which specifies a Write-Down of Tier 2 Notes, the Issuer shall procure that a similar notice is, or has been, given in respect of each Tier 1 Loss Absorbing Instrument and Tier 2 Loss Absorbing Instrument (in accordance with its terms), and the prevailing nominal amount of each Tier 1 Loss Absorbing Instrument outstanding (if any) is permanently written down or converted to equity in full and, the PONV Trigger Event having not been cured, the prevailing nominal amount of each Tier 2 Loss Absorbing Instrument outstanding (if any) is permanently written down or converted to equity on a pro rata basis with the Outstanding Nominal Amount of the Tier 2 Notes, as soon as reasonably practicable following the giving of such Loss Absorption Event Notice and, where possible, within 30 days of the amount of the permanent write-down of such Tier 1 Loss Absorbing Instrument or Tier 2 Loss Absorbing Instrument (as the case may be) being determined by the RBI.

For the avoidance of doubt, following any Write-Down of the Notes in accordance with these provisions the principal amount so written down will be cancelled and interest will continue to accrue only on the Outstanding Nominal Amount.

If the Issuer is amalgamated with any other bank before the Notes have been Written Down, the Notes will become, if Additional Tier 1 Notes, part of the Additional Tier 1 capital of the new bank emerging after the merger or, if Tier 2 Notes, part of the Tier 2 capital of the amalgamated bank. For the avoidance of doubt, if the Issuer is amalgamated with any other bank after the Notes have been Written Down pursuant to a PONV Trigger Event, these cannot be reinstated by the new bank emerging after the merger. If the RBI or other relevant authority decides to reconstitute the Issuer or amalgamate the Issuer with any other bank, the Issuer will be deemed as non-viable or approaching non-viability and the PONV Trigger Event will be activated. Accordingly, the Notes will be permanently Written-Down in full prior to any reconstitution or amalgamation.

Following a Write-Down due to a PONV Trigger Event having occurred, all rights of any Noteholder for payment of any amounts under or in respect of the PONV Write-Down Amount in respect of their Notes (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, any default) shall be cancelled and not restored under any circumstances, irrespective of whether such amounts have become due and payable prior to the date of the Loss Absorption Event Notice or the Loss Absorption Effective Date and even if the PONV Trigger Event has ended.

*A Write-Down due to a PONV Trigger Event shall occur prior to any public sector injection of capital so that the capital provided by the public sector is not diluted.*

*The RBI Guidelines as at the Issue Date state that, for this purpose, a non-viable bank will be a bank which, owing to its financial and other difficulties, may no longer remain a going concern on its own in the opinion of the RBI unless appropriate measures are taken to revive its operations and thus, enable it to continue as a going concern. The difficulties faced by a bank should be such that these are likely to result in financial losses and raising*

*the Common Equity Tier 1 Capital of the bank should be considered as the most appropriate way to prevent the bank from turning non-viable. Such measures would include a permanent write-off in combination with or without other measures as considered appropriate by the RBI.*

*A bank facing financial difficulties and approaching a point of non-viability shall be deemed to achieve viability if within a reasonable time in the opinion of the RBI, it will be able to come out of the present difficulties if appropriate measures are taken to revive it. The measures including a permanent write-off or public sector injection of funds are likely to:*

- (a) restore confidence of the depositors/ investors;*
- (b) improve rating/ creditworthiness of the bank and thereby improving its borrowing capacity and liquidity and reduce cost of funds; and*
- (c) augment the resource base to fund balance sheet growth in the case of fresh injection of funds.*

## **9.2 Principal write-down on CET1 Trigger Event**

This Condition 9.2 is applicable only to Additional Tier 1 Notes.

### **(a) Write-Down on the occurrence of a CET1 Trigger Event**

If a CET1 Trigger Event occurs, the Issuer will:

- (i) deliver a Loss Absorption Event Notice to Noteholders in accordance with Condition 16 and to the Trustee and the Principal Paying Agent;
- (ii) cancel any interest which is accrued and unpaid on the Additional Tier 1 Notes up to the relevant Loss Absorption Effective Date; and
- (iii) *pari passu* and pro rata with any other Tier 1 Loss Absorbing Instruments (where possible) irrevocably, without the need for the consent of Noteholders or the Trustee, Write-Down the Outstanding Nominal Amount of each Additional Tier 1 Note by the relevant Write-Down Amount.

A Write-Down may occur on more than one occasion and (if applicable) the Additional Tier 1 Notes may be Written Down following one or more Reinstatements pursuant to Condition 9.2(b). Once the nominal amount of an Additional Tier 1 Note has been Written Down pursuant to this Condition 9.2, it may only be restored in accordance with Condition 9.2(b).

Following the giving of a Loss Absorption Event Notice which specifies a Write-Down of the Additional Tier 1 Notes, the Issuer shall procure that a similar notice is, or has been, given in respect of each Tier 1 Loss Absorbing Instrument (in accordance with its terms), and the prevailing nominal amount of each Tier 1 Loss Absorbing Instrument outstanding (if any) is written down or converted to equity on a pro rata basis with the Outstanding Nominal Amount of the Additional Tier 1 Notes, as soon as reasonably practicable following the giving of such Loss Absorption Event Notice.

If the Issuer is amalgamated with any other bank before the Additional Tier 1 Notes have been Written Down, the Additional Tier 1 Notes will become part of the Additional Tier 1 capital of the new bank emerging after the merger. If the Issuer is amalgamated with any other bank after the Additional Tier 1 Notes have been Written Down pursuant to a CET1 Trigger Event, the amalgamated bank can reinstate these instruments according to its discretion, unless the Write-Down was full and permanent.

*For the avoidance of doubt, a Write-Down of the Additional Tier 1 Notes on a CET1 Trigger Event is not subject to the prior loss absorption of Common Equity Tier 1 Capital of the Issuer.*

*The purpose of a Write-Down on occurrence of the CET1 Trigger Event shall be to shore up the capital level of the Issuer. If the Issuer or the Group breaches the CET1 Trigger Event Threshold and equity is replenished through Write-Down of the Additional Tier 1 Notes, such replenished amount of equity will be excluded from the total equity of the Issuer for the purpose of determining the proportion of earnings to be paid out as dividend in terms of rules laid down for maintaining the capital conservation buffer (as described in the RBI Guidelines). However, once the Issuer or the Group (as the case may be) has attained a total Common Equity Tier 1 Ratio of 8% without counting the replenished equity capital, from that point onwards, the Issuer may include the replenished equity capital for all purposes.*

(b) **Reinstatement**

Following a Write-Down pursuant to Condition 9.2(a), the Outstanding Nominal Amount of the Additional Tier 1 Notes may be increased up to the Maximum Reinstatement Amount (a “**Reinstatement**”) at the Issuer’s option and subject to any conditions specified in (i) the applicable Pricing Supplement or (ii) the RBI Guidelines, or as are otherwise notified to the Issuer by the RBI, from time to time. Additional Tier 1 Notes may be subject to more than one Reinstatement. The Issuer will not reinstate the principal amount of any Tier 1 Loss Absorbing Instrument that has been written down (and which is capable under its terms of being reinstated) unless it does so on a pro rata basis with a Reinstatement on the Additional Tier 1 Notes.

The Issuer must give notice of any Reinstatement to Noteholders in accordance with Condition 16 and to the Trustee and the Principal Paying Agent at least 10 Business Days prior to such Reinstatement. The Trustee and Principal Paying Agent shall be entitled to rely absolutely on such notice, which shall be binding upon all Noteholders, Receiptholders and Couponholders.

### 9.3 Interpretation

In these Conditions:

- (a) “**CET1 Trigger Event**” means that the Issuer’s or the Group’s Common Equity Tier 1 Ratio is at or below the CET1 Trigger Event Threshold;
- (b) “**CET1 Trigger Event Threshold**” means:
  - (i) if calculated at any time prior to 31 March 2019, 5.5%; or
  - (ii) if calculated at any time from and including 31 March 2019, 6.125%;

- (c) “**Common Equity Tier 1 Ratio**” means the Common Equity Tier 1 Capital (as defined and calculated in accordance with the applicable RBI Guidelines) of the Issuer or the Group (as the case may be) expressed as a percentage of the total risk weighted assets (as defined and calculated in accordance with the applicable RBI Guidelines) of the Issuer or the Group (as applicable);
- (d) “**Loss Absorption Effective Date**” means the date that will be specified as such in the Loss Absorption Event Notice;
- (e) “**Loss Absorption Event Notice**” means a notice which specifies that a PONV Trigger Event or CET1 Trigger Event (as applicable) has occurred, the Write-Down Amount and the date on which the Write-Down will take effect. Any Loss Absorption Event Notice must be accompanied by a certificate signed by an authorized officer of the Issuer (as defined in Condition 8) stating that the PONV Trigger Event or CET1 Trigger Event, as relevant, has occurred. The Trustee and Principal Paying Agent shall be entitled to rely absolutely on such certificate and notice, which shall be binding upon all Noteholders, Couponholders and Receiptholders;
- (f) “**Maximum Reinstatement Amount**”, in respect of an Additional Tier 1 Note, means the Issued Nominal Amount of such Additional Tier 1 Note as reduced pursuant to: (i) any Write-Down in accordance with Condition 9.1; and (ii) any Write-Down in accordance with Condition 9.2(a) if such Write-Down has been made permanent due to a subsequent PONV Trigger Event;
- (g) “**Ordinary Share**” means an ordinary share of the Issuer;
- (h) “**PONV Trigger Event**”, in respect of the Issuer or the Group, means the earlier of:
  - (i) a decision that a write-down, without which the Issuer or the Group (as the case may be) would become non-viable, is necessary, as determined by the RBI; and
  - (ii) the decision to make a public sector injection of capital, or equivalent support, without which the Issuer or the Group (as the case may be) would have become non-viable, as determined by the RBI;
- (i) “**Tier 1 Loss Absorbing Instrument**” means, at any time, any instrument issued directly or indirectly by the Issuer, other than the Ordinary Shares and the Notes, which (a) is eligible to qualify as Additional Tier 1 Capital pursuant to the RBI Guidelines; and (b) contains provisions relating to a write down or conversion into Ordinary Shares of the nominal amount of such instrument on the occurrence, or as a result, of a PONV Trigger Event or CET1 Trigger Event and in respect of which the conditions (if any) to the operation of such provisions are (or with the giving of any certificate or notice which is capable of being given by the Issuer, would be) satisfied;
- (j) “**Tier 2 Loss Absorbing Instrument**” means, at any time, any instrument issued directly or indirectly by the Issuer, other than the Ordinary Shares and the Notes, which (a) is eligible to qualify as Tier 2 Capital pursuant to the RBI Guidelines; and (b) contains provisions relating to a write down or conversion into Ordinary Shares of the nominal amount of such instrument on the occurrence, or as a result, of a PONV Trigger Event or CET1 Trigger Event and in respect of which the conditions (if any) to the operation of such provisions are (or with the giving of any certificate or notice which is capable of being given by the Issuer, would be) satisfied; and

- (k) “**Write-Down Amount**” means the amount by which the then Outstanding Nominal Amount of each Note is to be Written Down pursuant to a Write-Down, being the minimum of:
- (i) the amount (together with the Write-Down of the other Subordinated Notes and the write-down or conversion into equity of, in the case of a Write-down of Additional Tier 1 Notes, any Tier 1 Loss Absorbing Instruments or, in the case of a Write-Down of Tier 2 Notes, any Tier 1 Loss Absorbing Instruments and Tier 2 Loss Absorbing Instruments) that:
    - (A) in the case of a Write-Down due to a PONV Trigger Event, would be sufficient to satisfy the RBI that the Issuer will not become non-viable; or
    - (B) in the case of a CET1 Trigger Event, would, as determined by the Issuer in its absolute discretion, immediately return the Issuer’s or the Group’s (as the case may be) Common Equity Tier 1 Ratio to between the CET1 Trigger Event Threshold and 8%; and
  - (ii) the amount necessary to reduce the Outstanding Nominal Amount to zero.

*For the avoidance of doubt, the Write-Down Amount in the case of a Write-Down due to a PONV Trigger Event will be such amount as is required by the RBI or other relevant authority at the relevant time.*

## 10. TAXATION

### 10.1 Payment without Withholding

All payments of principal and interest in respect of the Notes, Receipts and Coupons by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of India or, in addition, if the Issuer is acting through a Specified Branch, the Specified Country, or, in each case, 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 Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons 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, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (a) 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, Receipt or Coupon for any reason other than the mere holding, use or ownership or deemed holding, use or ownership of such Note, Receipt or Coupon as a non-resident or deemed non-resident of the jurisdiction imposing such tax, duty, assessment or governmental charge or who would not be liable or subject to such withholding or deduction by making a declaration of non-residence or other similar claim for exemption (including an application for relief under any applicable double tax treaty) to the relevant tax authority;
- (b) the holder of which is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with India or, as the case may be, the Specified Country other than the mere holding of such Note, Receipt or Coupon,

provided that (in respect of Australia) a holder is not regarded as being connected with Australia for the reason that the holder is a resident of Australia where, and to the extent that, such tax is payable by reason of section 128B(2A) of the *Income Tax Assessment Act 1936* (Australia);

- (c) to, or to a third party on behalf of, an Australian resident holder or a non-resident holder carrying on business in Australia at or through a permanent establishment of the non-resident in Australia, if that holder has not supplied an appropriate tax file number, an Australian business number or other exemption details;
- (d) to, or to a third party on behalf of, a holder who is an associate (as that term is defined in section 128F of the *Income Tax Assessment Act 1936* (Australia)) of the Issuer and the payment being sought is not, or will not be, exempt from interest withholding tax because of section 128F(6) of the *Income Tax Assessment Act 1936* (Australia);
- (e) on account of any such taxes, duties, assessments or governmental charges required to be withheld or deducted by any paying agent, collecting agent or other intermediary from a payment on a Note, Receipt or Coupon if such payment can be made without such deduction or withholding by another paying agent, collecting agent or other intermediary;
- (f) held by or on behalf of a holder who would have been able to avoid such withholding or deduction by arranging to receive the relevant payment through another paying agent; or
- (g) 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 Payment Day (as defined in Condition 7.6).

## **10.2 Interpretation**

As used herein, the “**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 the Principal Paying Agent or the Registrar, as the case may be, on or prior to such due date, it means 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 16.

## **11. PRESCRIPTION**

The Notes (whether in bearer or registered form), Receipts and Coupons will become void unless presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 10) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition 11 or Condition 7.2 or any Talon which would be void pursuant to Condition 7.2.

## **12. EVENTS OF DEFAULT AND ENFORCEMENT**

### **12.1 Events of Default relating to Senior Notes**

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in nominal amount of the Senior Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified



and/or secured and/or pre-funded to its satisfaction), give notice in writing to the Issuer that each Senior Note is, and each Senior Note shall thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in the Trust Deed if any of the following events (each an “**Event of Default**”) shall occur:

- (a) if 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) if the Issuer fails to perform or observe any of its other obligations under these Conditions, the Trust Deed or the Note (AMTN) Deed Poll and (except in any case where, in the opinion of the Trustee, the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days next following the service by the Trustee on the Issuer of notice requiring the same to be remedied; or
- (c) if (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 Condition 12.1(c) exceeds U.S.\$25,000,000 or its equivalent in other currencies; or
- (d) if 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, save for the purposes of reorganization on terms previously approved in writing by the Trustee or by an Extraordinary Resolution; or
- (e) if the Issuer ceases or threatens to cease to carry on the whole or substantially all of its business, save for the purposes of reorganization on terms previously approved in writing by the Trustee or by an Extraordinary Resolution, 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) if the Issuer (or its directors) makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally; or
- (g) if 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) if 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 21.3 is held to be invalid or unenforceable; or



- (i) if 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, unless, and for so long as, such levy or enforcement is being contested in good faith and by appropriate proceedings; or
- (j) if any event occurs, which, under the laws of India, has or may have an analogous effect to any of the events referred to in Conditions 12.1(e) to (g).

For the purposes of this Condition 12.1, “**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 securities or (ii) any borrowed money or (iii) any liability under or in respect of any acceptance or acceptance credit.

## **12.2 Rights of Enforcement Relating to Subordinated Notes**

*Pursuant to Section 45 of the State Bank of India Act, 1955, as amended, Indian statutory provisions relating to winding up do not apply to the Issuer, and it may only be placed in liquidation by order of the Government in such manner as it may direct.*

If any order of the Government is made for the liquidation or winding up (as determined pursuant to the SBI Act) of the Issuer, save for the purposes of reorganization on terms previously approved by an Extraordinary Resolution of the Noteholders, the Trustee may, and if so requested in writing by the holders of at least one-fifth in Outstanding Nominal Amount of the Subordinated Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders, shall (subject to being indemnified and/or secured and/or pre-funded to its satisfaction) give notice to the Issuer that the Subordinated Notes are, and they shall, subject to the prior approval of the RBI having been obtained, thereupon immediately become, due or repayable at the amount provided in, or calculated in accordance with, Condition 8.6.

## **12.3 Enforcement**

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer as it may think fit to enforce the provisions of the Trust Deed, the Notes, the Receipts and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes, the Receipts or the Coupons unless (i) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding and (ii) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

## **13. REPLACEMENT OF NOTES, AMTN CERTIFICATES, RECEIPTS, COUPONS AND TALONS**

Should any Note (other than AMTNs), Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced subject to applicable laws, regulations and relevant stock exchange regulations at the specified office of the Principal Paying Agent (in the case of Bearer Notes, Receipts or Coupons) or the Registrar or the Transfer Agent (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity and/or security as the Issuer, the Principal Paying Agent and the Registrar (as the case may be) may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

Should any AMTN Certificate be lost, stolen, mutilated, defaced or destroyed, upon written notice of such having been received by the Issuer and the Australian Agent:

- (a) that AMTN Certificate will be deemed to be cancelled without any further formality; and
- (b) the Issuer will, promptly and without charge, issue and deliver, and procure the authentication by the Australian Agent of, a new AMTN Certificate to represent the holding of the AMTNs that had been represented by the original AMTN Certificate.

#### **14. AGENTS**

The names of the initial Agents and their initial specified offices are set out below.

The Issuer is entitled, with the prior written approval of the Trustee (such approval not to be unreasonably delayed), to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

- (a) there will at all times be a Principal Paying Agent and (in the case of Registered Notes other than AMTNs) a Registrar and there will at all times be an Australian Agent (in the case of AMTNs);
- (b) so long as the Notes are listed on any stock exchange, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange (or any other relevant authority);
- (c) so long as any of the Registered Global Notes denominated in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will at all times be an Exchange Agent;
- (d) so long as the Notes are listed on the SGX-ST, if the Notes are issued in definitive form, there will at all times be a Paying Agent in Singapore unless the Issuer obtains an exemption from the SGX-ST; and
- (e) there will at all times be a Paying Agent, a Registrar and a Transfer Agent which, in respect of a payment due on any Note on or after 1 January 2019, able to receive such payment without any withholding or deduction imposed pursuant to FATCA.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 7.5. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 16.

In acting under the Agency Agreement or the Australian Agency Agreement (as the case may be), the Agents (including the Australian Agent) act solely as agents of the Issuer and, in certain circumstances specified therein, of the Trustee and do not assume any obligation towards, or relationship of agency or trust with, any owners or holders of the Notes, Receipts, Coupons or Talons. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

## 15. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 11.

## 16. NOTICES

All notices regarding the Bearer Notes will be deemed to be validly given if published in a leading daily newspaper of general circulation in Asia or such other English language daily newspaper with general circulation in Asia as the Trustee may approve. It is expected that such publication will be made in the *Asian Wall Street Journal*. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange (or any other relevant authority) on which the Bearer Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

All notices regarding the Registered Notes and AMTNs will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register or the A\$ Register (as the case may be) and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange and the rules of that stock exchange so require, such notice will be published in a daily newspaper of general circulation in the place or places required by the rules of that stock exchange.

All notices regarding the AMTNs will be deemed to be validly given if sent by pre-paid post or (if posted to an address overseas) by airmail to, or left at the address of, the holders (or the first named of joint holders) at their respective addresses recorded in the A\$ Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any AMTNs are admitted to trading on a stock exchange and the rules of that stock exchange (or any other relevant authority) so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. For so long as the AMTNs are lodged in the Austraclear System there may be substituted for such publication in the *Australian Financial Review* or *The Australian* or mailing the delivery of the relevant notice to Austraclear for communication by it to the holders of beneficial interests in the AMTNs and, in addition, for so long as any AMTNs are listed on a stock exchange or admitted to trading by any other relevant authority and the rules of that stock exchange, or, as the case may be, other relevant authority so require, such notice or notices will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice will be deemed to have been given to the holders of beneficial interests in the AMTNs on the day on which the said notice was given to Austraclear.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream and/or DTC, be substituted for such publication in such newspaper(s) or such delivery by mail of the relevant notice to Euroclear and/or Clearstream and/or DTC for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange and the rules of that stock exchange (or any other relevant authority) so require, such notice will be published in a daily newspaper of general circulation in the place or places required by the rules of that stock exchange (or any other relevant authority). Any such notice shall be deemed to have been given to the holders of the Notes on the first day after the day on which the said notice was given to Euroclear and/or Clearstream and/or DTC.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes other than the AMTNs) or the Australian Agent (in the case of the AMTNs). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream and/or DTC, as the case may be, in such manner as the Principal Paying Agent, the Registrar (in the case of Registered Notes other than AMTNs) or the Australian Agent (in the case of AMTNs) and Euroclear and/or Clearstream and/or DTC, as the case may be, may approve for this purpose.

Receiptholders and Couponholders will be deemed for all purposes to have notice of the contents of any notice given to Noteholders in accordance with this Condition 16.

## **17. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION**

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee. If the Trustee receives a written request by Noteholders holding at least one-tenth in nominal amount of the Notes for the time being outstanding and is indemnified and/or secured and/or prefunded to its satisfaction against all costs and expenses, the Trustee shall convene a meeting of Noteholders. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50.0% in outstanding nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the outstanding nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts, the Coupons or the Trust Deed (including, *inter alia*, modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or canceling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in outstanding nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in outstanding nominal amount of the Notes for the time being outstanding. The Trust Deed provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority consisting of not less than three-fourths of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than 75% of the outstanding nominal amount of the Notes for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the holders of at least 75% of the outstanding nominal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed by the Noteholders will be binding on all the Noteholders, whether or not they are present at any meeting, and whether or not they voted on the resolution, and on all Receiptholders and Couponholders.

The Trustee (i) may (but shall not be obliged to) agree, without the consent of the Noteholders, Receiptholders or Couponholders, to any modification of, or to the waiver or authorization of any breach or proposed breach of, any of the provisions of the Notes or the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or Notification Event shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders so to do, provided that such power to agree any modification does not extend to any such modification as is mentioned in the proviso to paragraph 5 of the Third Schedule of the Trust Deed and (ii) may (but shall not be obliged to) agree, without any such consent as aforesaid, to any modification which in the opinion of the Trustee is of a formal, minor or technical nature or to correct a manifest error or to comply with any mandatory provisions of law. Any such

modification, waiver, authorisation or determination shall be binding on the Noteholders, the Receiptholders and the Couponholders and unless the Trustee agrees otherwise any such modification, waiver, authorisation or determination shall be notified to the Noteholders in accordance with Condition 16 as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, rights, powers, authorities and discretions (including, without limitation, any modification, waiver, authorization, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receiptholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders, Receiptholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders, Receiptholders or Couponholders except to the extent already provided for in Condition 10 and/or any undertaking or covenant given in addition to, or in substitution for, Condition 10 pursuant to the Trust Deed.

The Trustee, without the consent of the Noteholders, the Receiptholders or the Couponholders, may (but shall not be obliged to) agree with the Issuer at any time to the substitution in place of the Issuer (or of any previous substitute under this Condition 17) as the principal debtor under the Notes, the Receipts, the Coupons and the Trust Deed of any entity owned or controlled by the Issuer, subject to (a) the Notes being unconditionally and irrevocably guaranteed by the Issuer, (b) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution and (c) certain other conditions set out in the Trust Deed being complied with.

Any such modification, waiver, authorization, determination or substitution shall be binding on the Noteholders, the Receiptholders and the Couponholders and, unless the Trustee otherwise agrees, any such modification or substitution shall be promptly notified to Noteholders by the Issuer in accordance with Condition 16.

*Any modification or substitution in accordance with this Condition 17 is subject to the prior approval of the RBI (if required) having been obtained by the Issuer for such modification or substitution. The Trustee shall have no obligation or duty in obtaining any such approval or in complying with RBI requirements in connection with the exercise by it of any of its trusts, powers, authorities and discretions.*

## **18. INDEMNIFICATION OF THE TRUSTEE AND TRUSTEE CONTRACTING WITH THE ISSUER**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer or any person or body corporate associated with the Issuer and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer or any person or body corporate associated with the Issuer, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, Receiptholders or Couponholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

## **19. FURTHER ISSUES**

The Issuer shall be at liberty from time to time (but subject always to the provisions of the Trust Deed) without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Notes.

## **20. 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 of the Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## **21. GOVERNING LAW OF NOTES OTHER THAN AMTNS AND SUBMISSION TO JURISDICTION**

This Condition 21 does not apply to AMTNS.

### **21.1 Governing law**

The Trust Deed, the Agency Agreement, the Notes, the Receipts, the Coupons and any non-contractual obligations arising out of or in connection with these documents are governed by, and shall be construed in accordance with, English law except that Clause 2(G) of the Trust Deed and, in the case of Tier 2 Notes, Condition 3.2 and, in the case of Additional Tier 1 Notes, Condition 3.3, are governed by, and shall be construed in accordance with, Indian law.

### **21.2 Submission to Jurisdiction**

- (a) Subject to Condition 21.2(c) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Trust Deed, the Notes, the Receipts and/or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes, the Receipts and/or the Coupons (a “**Dispute**”) and accordingly each of the Issuer and the Trustee and any Noteholders, Receiptholders or Couponholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.
- (b) For the purposes of this Condition 21.2, the Issuer waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.
- (c) To the extent allowed by law, the Trustee, the Noteholders, the Receiptholders and the Couponholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.

### **21.3 Waiver of Immunity**

The Issuer irrevocably and unconditionally with respect to any Dispute (i) waives any right to claim sovereign or other immunity from jurisdiction, recognition or enforcement and any similar argument in any jurisdiction, (ii) submits to the jurisdiction of the English courts and the



courts of any other jurisdiction in relation to the recognition of any judgment or order of the English courts or the courts of any competent jurisdiction in relation to any Dispute and (iii) consents to the giving of any relief (whether by way of injunction, attachment, specific performance or other relief) or the issue of any related process, in any jurisdiction, whether before or after final judgment, including without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Dispute.

## **22. GOVERNING LAW OF AMTNS AND SUBMISSION TO JURISDICTION**

### **22.1 Governing Law**

The AMTNs, the Australian Agency Agreement and the Note (AMTN) Deed Poll shall be governed by the laws in force in New South Wales, Australia.

### **22.2 Jurisdiction**

The courts of New South Wales, Australia and the courts of appeal from them are to have non-exclusive jurisdiction to settle any disputes which may arise out of or in connection with them and any suit, action or proceedings arising out of or in connection with the AMTNs, the Australian Agency Agreement and the Note (AMTN) Deed Poll (together referred to as “**Australian Proceedings**”) may be brought in such courts.

### **22.3 Appointment of Process Agent**

For so long as any AMTNs are outstanding, the Issuer will appoint an agent in Sydney, Australia as its agent for service of process in New South Wales, Australia in respect of any Australian Proceedings as specified in the applicable Pricing Supplement, and undertakes that, in the event of such agent ceasing so to act or ceasing to be registered in New South Wales, Australia, it will appoint another person as its agent for service of process in Sydney, New South Wales, Australia in respect of any Australian Proceedings.



## USE OF PROCEEDS

The net proceeds from each issue of the Notes will be used to:

- (i) meet the funding requirement of the Bank's foreign offices, including the Hong Kong Branch, the London Branch, the Nassau Branch and the Sydney Branch and subject to the approval of the RBI, foreign subsidiaries, and to develop and expand business in these offices; and/or
- (ii) strengthen the capital base of the Bank's foreign offices, including the Hong Kong Branch, the London Branch, the Nassau Branch and the Sydney Branch and subject to the approval of the RBI, foreign subsidiaries, with respect to the issuance of qualifying Subordinated Notes and/ or to augment the Bank's capital in accordance with relevant regulatory guidelines; and/or
- (iii) meet its general corporate purposes.

The proceeds from the issuance of green bonds, as and when issued by the Issuer under the Program, will be applied towards investment in Eligible Green Projects (as defined hereinafter).

## THE ISSUER'S GREEN BOND FRAMEWORK

### Introduction

As India's largest public sector bank, the Bank has embarked on a journey of sustainability with an objective to create a positive impact on the environment. As early as a decade ago, the concepts of "green banking" and "sustainability" were priority concerns for the Bank.

Among others, the green initiatives undertaken by the Bank include:

- Installing windmills for captive power consumption (a first in the Indian banking industry);
- Providing concessional interest rates for renewable energy projects;
- Separating incremental exposure limits in relation to the renewable energy sector;
- Executing agreements with multilateral and bilateral agencies for lines of credit for launching rooftop solar and other projects in the renewable energy space;
- Providing a commitment to the Government to finance viable renewable energy projects for a sum of Rs.810.6 billion over a five year period from 2015 until 2020; and
- Publishing a separate sustainability report (the Bank is the first Indian public sector bank to produce such a separate sustainability report). Furthermore, the Bank has been a signatory to the Carbon Disclosure Project since 2012.

In light of the above measures the Bank has undertaken to support the renewable energy sector, the Government has awarded the Bank the "Outstanding Performance Award" for the year 2016 and the "National Excellence Award for Rooftop Solar Power Projects" for the year 2016.

### Green Bond Framework Overview

The Bank's "Green Bond Framework" (the "**Green Bond Framework**") has been established in accordance with the Climate Bonds Standard version 2.1 and also adheres to the Green Bond Principles, 2016 issued by the International Capital Markets Association (the "**ICMA Green Bond Principles**"). Further details of the Bank's Green Bond Framework can be found at <https://www.sbi.co.in/>. However, the contents of the Issuer's website are not incorporated by reference into this Offering Circular and may not be relied upon.

The Bank's Green Bond Framework broadly lays down the mechanism that the Bank is required to comply with for purposes of raising funds that are to be used for investment in the green bond portfolio of the Bank that are consistent with the Bank's sustainable values and lays down details for determining the green bond portfolio of the Bank (the "**Eligible Green Projects**") in a manner consistent with the Bank's sustainable values, and in turn provide transparency and relevant disclosure to investors for the purposes of making their investment decisions in relation to a green bond issuance.

Eligible Green Projects will broadly cover projects in relation to the following, subject to the availability of sector-specific technical criteria under the Climate Bonds Standard:

- Renewable energy (including solar, wind, hydropower and geothermal);
- Low carbon buildings (including new residential, new commercial and retrofit);
- Industry and energy-intensive commercial transactions (including energy efficiency processes, energy efficiency products, energy efficient appliances and data centers);

- Waste and pollution control management transactions (including recycling facilities converting waste to energy); and
- Sustainable transportation (including projects aiming at low energy or low emission transportation systems and infrastructure, comprising electrical vehicles and electrified mass transit projects).

### **Selection and Evaluation of Eligible Green Projects**

As part of the Bank's selection and evaluation process of Eligible Green Projects, the Bank will appraise the projects on the basis of a defined set of guidelines which focusses on appraising the project in accordance with, a) RBI guidelines, master directions and instructions on loans and advances, income recognition and asset classification, restructuring and prudential provision, b) various notifications under the Foreign Exchange Management Act ("FEMA"), c) the Bank's own internal loan policy which is reviewed annually and prescribes guidelines for exposure norms with respect to single borrowers and borrower groups, and business rules applicable to the Bank's different business groups for handling their business, and d) the Bank's policy for "Delegation of Sanction Powers".

### **Management of Proceeds**

Furthermore, a separate committee called the Green Bond Committee (the "GBC") will be set up in order to assess the eligibility of a project under the Green Bond Framework of the Bank and also for regular monitoring of the use of proceeds of the Bank towards Eligible Green Projects. The GBC shall consist of the following persons:

- (i) Chief General Manager-Credit Policy and Procedures;
- (ii) Deputy General Manager-Green Banking and Sustainability (who shall be the nodal officer);
- (iii) Deputy General Manager-Treasury Management Group under the International Banking Division; and
- (iv) Deputy General Manager-Credit Policy and Procedures Department.

All projects that are to be considered Eligible Green Projects would first have to be cleared by the GBC in accordance with the above evaluation procedure and such projects thereafter will be monitored and tracked by the Bank's core banking solution system. The overall portfolio position of the Bank's Eligible Green Projects shall be monitored quarterly by the GBC and any changes to the overall portfolio shall also have to be cleared by the GBC.

Furthermore, the Bank proposes to establish a labelling mechanism in the Bank's core banking system, loan life cycle management system and management information system for projects and accounts earmarked as Eligible Green Projects and towards which proceeds from a green bond issuance can be utilized. The relevant labels will enable the Bank to extract and monitor various details in relation to the Eligible Green Projects of the Banks, including loan account number, borrower name, use of proceeds, sanctioned amount, amount of loan drawn and outstanding, loan maturity and other necessary information such that the aggregate of the issue proceeds and the manner of allocation of the proceeds can be recorded on a real time basis. The data on Eligible Green Projects will be regularly updated by the Bank in order to track assets refinanced or repaid and new loans earmarked for utilization from the proceeds of a green issuance. Unallocated proceeds from the issuance of green bonds will be invested or allocated in money market instruments and Government securities, as deemed fit by the Bank.

## **Reporting**

As long as green bonds issued by the Bank remain outstanding, the Bank will report the use of the proceeds by way of sector-wise information of the projects financed under each of the Bank's green bond issuances through a separate section in the Bank's annual sustainability report. Such annual sustainability report will also be published on the Bank's website at <https://www.sbi.co.in/> and will provide a confirmation that the use of proceeds towards the Eligible Green Projects is aligned with the Bank's Green Bond Framework. Wherever possible, the Bank shall also attempt to report on the quantitative impacts of the Eligible Green Projects being financed from the proceeds of the issuance of the green bonds.

## **Assurance**

For each green bond issuance under the Bank's Green Bond Framework, the Bank intends to engage a Climate Bonds Initiative approved independent assurance provider to assure and certify compliance of the green bond issuance as well as utilization of the proceeds from such green bond issuance with the requirements of the Climate Bonds Initiative standards, both at the pre-issuance and post-issuance stage. The Bank will also seek pre- and post-issuance certification from the Climate Bonds Initiative based on the assurance statement provided by such verifier.

## CAPITALIZATION

The following table sets out the Bank's unconsolidated capitalization as of June 30, 2017 which has been derived from the Bank's unconsolidated financial statements, and should be read in conjunction with the Bank's unconsolidated financial statements as of June 30, 2017 as well as the schedules and notes thereto (which have been reviewed by the Bank's statutory auditors in accordance with Indian GAAP) presented elsewhere herein.

### Unconsolidated Capitalization

	As of June 30, 2017	
	(Rs. in millions, except %)	(U.S.\$ in millions) <sup>(1)</sup>
<b>Short-term liabilities</b>		
Deposits due to banks <sup>(2)</sup> .....	68,215.31	1,056.29
Other deposits <sup>(2)</sup> .....	1,659,427.72	25,695.69
Demand liabilities .....	9,596,925.59	148,605.23
<b>Total</b> .....	<b>11,324,568.32</b>	<b>175,357.21</b>
<b>Long-term liabilities</b>		
Term deposits <sup>(3)</sup> .....	14,700,773.26	227,636.63
Other liabilities <sup>(4)</sup> .....	1,258,965.95	19,494.67
<b>Total</b> .....	<b>15,959,739.21</b>	<b>247,131.30</b>
<b>Borrowings</b> <sup>(5)</sup> .....	<b>2,361,007.29</b>	<b>36,559.42</b>
<b>TOTAL</b> <sup>(6)</sup> .....	<b>29,645,314.82</b>	<b>459,047.92</b>
<b>Shareholders' funds</b>		
Share capital <sup>(7)</sup> .....	8,632.05	133.66
Reserves and surplus .....	2,281,615.66	35,330.07
<b>Total shareholders' funds</b> .....	<b>2,290,247.71</b>	<b>35,463.73</b>
<b>Total capitalization</b> <sup>(8)</sup> .....	<b>31,935,562.52</b>	<b>494,511.65</b>
<b>Capital Adequacy Ratio (Basel III)</b>		
Tier I .....	10.67	
Tier II .....	2.64	
<b>Total Capital Adequacy Ratio</b> .....	<b>13.31</b>	

*Notes:*

- (1) For the reader's convenience, U.S. dollar translations of Rupee amounts have been provided based on the exchange rate of U.S.\$1.00 = Rs.64.58 as of June 30, 2017.
- (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 June 30, 2017, there were 50,000,000,000 authorized and 8,632,050,393 outstanding and fully paid shares of Rs.1 each.
- (8) Represents the sum of short-term liabilities, long-term liabilities, borrowings and shareholders' funds.

The Bank's unconsolidated contingent liabilities were Rs.12,613.44 billion as of June 30, 2016 and Rs.10,464.40 billion as of March 31, 2017. The Group's consolidated contingent liabilities were Rs.11,849.08 as of March 31, 2017 and Rs.11,842.01 billion as of March 31, 2016.

Except as described above, there has been no material change to the Bank's unconsolidated indebtedness and capitalization or contingent liabilities since June 30, 2017.

## INVESTMENT CONSIDERATIONS

*This Offering Circular 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 Circular, including the financial statements included in this Offering Circular, 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.

Indian financial markets have been negatively affected by the volatile global financial market on account of the European debt crisis, doubts on the sustainability of the U.S. fiscal debt and tension in the Middle East region. Indian financial markets witnessed regular policy rate hikes from the RBI to control inflation. High interest rates are expected to slow down the credit growth especially in interest rate sensitive areas.

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.

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 extension of loan maturities and higher monthly installments due from borrowers, which could result in higher rates of default in this portfolio.

***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 deteriorating market conditions or severe disruptions in the financial markets.

Conversely, the Bank may slowly reduce its interest on deposits (if required) to protect the spread it enjoys if the entire system is showing a lower credit of-take. 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 20.00% with effect from June 24, 2017. See "*Regulation and Supervision — Legal reserve requirements.*" As of June 30, 2017, Government securities represented 82.99% of the Bank's domestic investment portfolio and comprised 29.31% 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, 2017, 70.01% of the Bank's Government securities portfolio, amounting to Rs.4,027.45 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 either to liquidate its investments and realize a loss or to 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 2017, total Government business turnover was Rs.45,520.54 billion and the Bank earned commission from Government transactions of Rs.24.92 billion, or 14% of the Bank's other (non-interest) income. As of the date of this Offering Circular, the Bank's market share of Government business is approximately 58% 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. 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. 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 three months ended June 30, 2017, the total Government business turnover of the Bank was Rs.13,313.56 billion and commission earned from Government transactions was Rs.7.81 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.***

Gross NPAs decreased from Rs.616 billion in fiscal year 2014 to Rs.567.3 billion in fiscal year 2015, then increased to Rs.981.7 billion in fiscal year 2016, increased to Rs.1,123.4 billion in fiscal 2017 and then increased to Rs.1,880.7 billion as of June 30, 2017, representing 4.95%, 4.25%, 6.50%, 6.90% and 9.97%, respectively, of gross customer assets; net NPAs decreased from Rs.311.0 billion in fiscal year 2014 to Rs.275.9 billion in fiscal year 2015, then increased to Rs.558.1 billion in fiscal year 2016, then increased to Rs.582.8 billion in fiscal 2017, and then increased to Rs.1,077.6 billion as of June 30, 2017, representing 2.57%, 2.12%, 3.81%, 3.71% and 5.97%, 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 "Description of Assets and Liabilities of the Bank — 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.

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

As of June 30, 2017, and as of March 31, 2017, 2016 and 2015, the Bank's gross NPAs represented 9.97%, 6.90%, 6.50% and 4.25%, respectively, of its gross customer assets, and the Bank's NPAs, net of provisions, represented 5.97%, 3.71%, 3.81% and 2.12%, respectively, of its net customer assets. As of June 30, 2017, and as of March 31, 2017, 2016 and 2015, the Bank provided for 60.79%, 65.95%, 60.69% and 69.13%, 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 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 are limited data on historical loss ratios in retail loans, especially in the event of an economic slowdown. Furthermore, the recent global economic slowdown, the 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. For example, in 2009 the RBI required Banks to increase their total provisioning coverage ratio (“PCR”) to 70.0% of their respective gross NPA position as of September 30, 2010. Upon receiving an extension from the RBI, the Bank dedicated Rs.23.3 billion for provisions in fiscal year 2011 and Rs.11.0 billion during the first two quarters of fiscal year 2012 as counter-cyclical provision, raising its PCR with respect to its gross NPA position from 63.0% as of September 30, 2010 to 70.0% as of September 30, 2011. There is currently no continuing requirement to maintain a 70.0% PCR. The Bank’s PCR as of June 30, 2017, and as of March 31, 2017, 2016 and 2015, was 60.79%, 65.95%, 61.57% and 60.69%, 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 for income recognition, asset classification and provisioning pertaining to advances.*”

The Bank’s gross restructured assets as a proportion of its gross customer assets were 3.94%, 4.05%, 4.38% and 5.33%, as of June 30, 2017, and as of March 31, 2017, 2016 and 2015, respectively. The Bank restructures assets based upon a borrower’s potential to restore its financial health. However, certain assets classified as restructured may subsequently be classified as delinquent or non-performing in the event a borrower fails to restore its financial viability and honor its loan servicing commitments to the Bank. There can be no assurance that the debt restructuring criteria approved by the Bank will be adequate or successful and that borrowers will be able to meet their obligations under restructured loans. Any resulting increase in delinquency levels may adversely impact the Bank’s financial performance and the trading price of the Notes.

***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 a slowdown in economic activity, 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.

In November 2012, the RBI increased the general provisioning on restructured standard accounts from 2.00% to 2.75%. The RBI, through a notification issued on January 31, 2013, has mandated banks to disclose further details on accounts restructured in their annual reports. This includes disclosing 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. Further, in May 2013, the RBI issued final guidelines on the restructuring of loans. Pursuant to those guidelines, loans that are restructured (other than due to delays in project implementation under certain conditions and up to specified periods) from April 1, 2015 onwards would be classified as non-performing. The general provision required on restructured standard accounts restructured up to June 1, 2013, was increased to 3.50% as of March 31, 2014, 4.25% as of March 31, 2015, 5.00% as of March 31, 2016 and 5% as of March 31, 2017. General provisions on standard accounts restructured after June 1, 2013 were increased to 5.00%. The guidelines also prescribe measures with respect to the terms of restructuring that may be approved for borrowers.

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

A substantial portion of the Bank's loans to corporate customers are 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. A substantial portion of the Bank's loans to retail customers is also secured by the financed assets, predominantly property and vehicles. Although in general the Bank's loans are over-collateralized, an economic downturn could result in a fall in relevant collateral values for the Bank.

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, 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 a corporate borrower makes a reference to a specialized judicial authority called National Company Law Tribunal ("NCLT"), foreclosure and enforceability of collateral is stayed.

As of June 30, 2017, there were 12 outstanding accounts in relation to matters where the borrower had made a reference before the NCLT and as of the same date the amount involved in such matters stood at Rs.502.47 billion, against which the Bank had made a provision of Rs.199.43 billion. However, in accordance with the RBI guidelines, the incremental provision required on these accounts for fiscal year 2018 stands at Rs.85.71 billion and in the absence of such RBI guidelines the provision on these accounts, for fiscal year 2018 would have stood at Rs.50.34 billion. Furthermore, the Bank may not be able to realize the full value on 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 SARFAESI Act, the Debt Recovery Tribunal Act, 1993, the Insolvency and Bankruptcy Code, 2016 ("the **Insolvency Code**") and the RBI's corporate debt restructuring have strengthened the ability of lenders to recover NPAs by granting them greater rights to enforce security and recover amounts owed from secured borrowers. While the Bank believes that the SARFAESI Act has contributed to its enforcement efforts, there can be no assurance that the Insolvency Code will continue to have a favorable impact on its 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 its products and services. The Bank also faces competition from Indian and foreign commercial banks as well as

non-banking financial companies in its retail products and services. In addition, since the Bank raises funds from market sources and individual depositors, it will face increasing competition for such funds. Applicable regulations currently permit foreign banks to establish wholly-owned subsidiaries (“WOS”) in India and invest up to 74.0% 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. Under such framework, WOS of foreign banks are allowed to raise Rupee-denominated resources through 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, the 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 10 years would be eligible to provide banking services. On April 2, 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, RBI has issued licenses to 11 “Payment Banks” and “10 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.

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 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 will be dependent upon economic conditions, as well as upon its determination to sell, purchase, securitize or syndicate particular loans or loan portfolios. The Bank’s trading revenues and interest rate risk exposure are dependent upon 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 are dependent upon the effectiveness of its management of migrations in credit quality and risk concentrations, the accuracy of its valuation models and its critical accounting estimates and the adequacy of its allowances for loan losses. To the extent 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 Circular, 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 “*Investment Considerations — Risks Relating to India — Any downgrading of India’s sovereign credit rating by an international rating agency could adversely affect the Bank’s business and its liquidity.*” 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 24,139 branches in India as of June 30, 2017. As noted in the audit reports for the audited financial statements of the Bank for fiscal years 2015, 2016 and 2017, and in the limited review report for the unaudited reviewed financial statements of the Bank as of and for the three months ended June 30, 2017, 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 2017 incorporate financial information from 8,200 Indian branches and other accounting units which have not been subject to audit. These unaudited branches accounted for 3.86% of advances, 15.50% of deposits, 4.90% of interest income and 14.51% of interest expenses for fiscal year 2017. In addition, the limited review report as of and for the three months ended June 30, 2017 incorporates the relevant returns of 42 of the Bank's branches reviewed by the Bank's statutory auditors, 30 foreign branches reviewed by other auditors specially appointed for this purpose, and un-reviewed returns in respect of 24,006 branches. For the purposes of the limited review report on the unaudited reviewed financial statements of the Bank as of and for the three months ended June 30, 2017, 58.17% of the advances and 90.30% 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, 2017, the top five industry sectors accounted for 41.63% 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 March 31, 2017.

Industry	As of March 31, 2017	
	(Rs. in billions)	(%)
Infrastructure . . . . .	2,089.15	22.11
Iron and steel . . . . .	809.48	8.57
Textiles . . . . .	367.48	3.89
Petroleum and petrochemicals . . . . .	453.53	4.80
Engineering . . . . .	213.69	2.26
Others . . . . .	<u>5,514.82</u>	<u>58.37</u>
Total . . . . .	<u>9,448.15</u>	<u>100.0</u>

These fund-based exposures, totaling Rs.9,448.15 billion, constituted 70.45% of the Bank's gross domestic advances and 58.06% of its total gross advances as of March 31, 2017. 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. For instance, any regulatory action or policy announcements by the Central or State Government authorities that would adversely impact the ability of borrowers in that industry to service their debt obligations could adversely and negatively affect the Bank's business and operating results. A significant portion of the Bank's exposure to the textile sector is 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 has high concentrations of loans to certain customers and to certain sectors 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 March 31, 2017 and 2016, the Bank's total exposure to borrowers (fund-based and non-fund based, including guarantees) was Rs.26,150 billion and Rs.23,664 billion, respectively. The 10 largest individual borrowers in the aggregate accounted for 8.52% and 9.63% of the Bank's total exposure as of those dates, respectively, and its 10 largest borrower groups in aggregate accounted for 13.85% and 17.03% of its total exposure as of those dates, respectively. The largest individual borrower as of March 31, 2017 accounted for 14.74% of the Bank's total capital funds. The largest individual borrower group as of March 31, 2017 accounted for 28.14% 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.

***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.2,191.58 billion and Rs.2,840.00 billion as of March 31, 2017 and June 30, 2017 respectively (which includes investments in Rural Infrastructure Development Fund ("RIDF"), Inter Bank Participation Certificate, which is 16.91% and 17.62% of adjusted net credit of the Bank, as of March 31, 2017 and June 30, 2017, respectively. The Government's proposed agricultural lending plans may contemplate state-owned banks, including the Bank, lending at below market rates in the agricultural sector. 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. In addition, the market may perceive the exposure of state-owned banks to the agricultural sector to involve higher risks, whether or not the Government mandates lending. This may negatively affect the risk-adjusted returns of state-owned banks and may adversely affect 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 made for the purpose of residential construction, purchase or renovations, amounting to Rs.2,226.05 billion, or 13.68% of the Bank's total gross advances, as of March 31, 2017 an increase of 16.82% compared to March 31, 2016. The ability of the Bank to receive repayment and interest upon these loans is dependent upon 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 “*Description of Assets and Liability Management of the Issuer — Risk Management Structure — Credit Risk Management.*” 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. The Bank is subject to the credit risk that its borrowers may not pay in a timely fashion or at all. 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, may have reduced the profitability of some of the Bank’s borrowers.

***The Bank’s risk profile is linked to the Indian economy and the banking and financial markets in India which are still evolving.***

The Bank’s credit risk may be higher than the credit risk of banks in some developed economies. The credit risk profiles of its borrowers differ significantly from those of borrowers of most banks in developed countries, due to factors such as a high level of uncertainty in the Indian regulatory, political, economic and industrial environment, difficulties that many of the Bank’s borrowers face in adapting to the recent instability in world markets and technological advances taking place across the world. Unlike developed countries, India does not have a comprehensive fully operational nationwide credit information bureau. This may affect the quality of information available to the Bank about the credit history of the borrowers, especially individuals and small businesses. In addition, the credit risk of the Bank’s borrowers, particularly small to mid-level companies, is higher than borrowers of most banks in more developed economies due to the evolving Indian regulatory, political, economic and industrial environment.

The directed lending norms of the RBI require the Bank to lend a certain proportion of the Bank’s loans to “priority sectors”, including agriculture and small enterprises, where the Bank’s ability to control the portfolio quality is limited and where economic difficulties are likely to affect the Bank’s borrowers more severely. Any shortfall may be required to be allocated to investments yielding sub-market returns.

In addition, several of the Bank’s corporate borrowers in the past suffered from low profitability due to, among other factors, increased competition, a sharp decline in commodity prices and high debt burden at high interest rates. 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. This may lead to an increase in the level of the Bank’s NPAs, which could lead to an adverse impact on the Bank’s business, future financial performance, stockholders’ equity and the trading price of the Notes.

***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 June 30, 2017, loans with a remaining tenor exceeding one year constituted 82.33%, 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 and a delay in project implementation or commissioning could lead to 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.***

The maturity profile of the Bank's assets and liabilities shows a marginal negative liquidity gap in the category of maturity profiles exceeding three months and up to one year and above five years. Most of the Bank's deposits and other liabilities are of shorter average maturity in comparison to the average maturity of loans and investments. The Bank's customer deposits are both demand and time deposits with approximately 33.09% having maturities of up to 1 year as of June 30, 2017. In the present scenario, the Bank is able to retain a substantial amount (approximately 65%) of its term deposits upon its maturity by means of roll over. Similarly, the core portion of its demand deposits portfolio is more than 66.91%. Due to the behavior of its customer base, the liquidity position remains comfortable. The Bank has other avenues such as Repo/collateralized borrowing and lending obligation borrowings with the RBI to match its needs Clearing Corporation of India Ltd. and money market for repo transactions apart from availing high cost deposits to generate liquidity. The failure to obtain rollover of customer deposits upon its maturity or to replace them with fresh deposits could have an adverse impact on the Bank's business and the trading price of the Notes.

***The Bank is exposed to fluctuations in foreign exchange rates.***

As a financial organization with operations in various countries, 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 active 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.

***While the Bank'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 Bank's life insurance and general insurance joint ventures are becoming an increasingly important part of the Bank'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 Bank's life insurance business comprises of life, pension and health products. Reduction 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 Insurance Regulatory and Development Authority ("IRDA") effective September 1, 2010. The regulatory changes include caps on charges including surrender charges, an increase in minimum premium paying term and the introduction of minimum guaranteed returns on pension products. In March 2013, IRDA issued further guidelines on non-linked and linked life insurance products which include limits on the commission rates payable by insurance companies, 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 Bank's life insurance products.

The growth of the Bank'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.1.05 billion in fiscal year 2015 for the subsidiary. In fiscal year 2016, this subsidiary made a loss of Rs.1.2 billion and in fiscal 2017 there was a profit of Rs.1.53 billion. A slow down in the Indian economy, further regulatory changes or customer dissatisfaction with the Bank'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 Bank's life insurance subsidiary in assessing its life insurance reserves may differ from what it experiences in the future. The Bank's life insurance subsidiary derives its actuarial reserves using prudent assumptions. 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. The Bank's life insurance subsidiary monitors its actual experience of these assumptions and where it considers there to be any deviation from these assumption 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.

***Loss reserves for the Bank'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 Bank's general insurance subsidiary.***

In accordance with general insurance industry practice and accounting and regulatory requirements, the Bank'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 Bank's general insurance subsidiary's reserves for environmental and other latent claims are particularly subject to such variables. The results of operations of the Bank'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 its operations.

Established loss reserves estimates are periodically adjusted in the ordinary course of settlement, 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 Bank'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 Bank's general insurance subsidiary.

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

Portions of the Bank's general insurance subsidiary's 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 acts of terrorism. The incidence and severity of these catastrophes in any given period are inherently unpredictable.

Although the subsidiary monitors its overall exposure to catastrophes and other unpredictable events in each geographic region and determines its underwriting limits related to insurance coverage for losses from catastrophic events, the subsidiary generally seeks to reduce its exposure through the purchase of reinsurance, selective underwriting practices and by monitoring risk accumulation. Claims relating to catastrophes may result in unusually high levels of losses and may require additional capital to maintain solvency margins and could have a material adverse effect on the Bank'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 "*Description of Assets and Liability Management of the Issuer — Risk Management Structure.*"

***There is operational risk associated with the Bank's industry which, if and when realized, may have an adverse impact on its 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 fulfill 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 “*Description of Assets and Liability Management of the Issuer — Risk Management Structure — 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 due to, in part, the short history of these policies and procedures. 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 in any way facilitating money laundering but found that instances of procedural non-compliance had occurred. The Bank is in the process of implementing 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 State Bank of India (California) has been working with regulators to strengthen its AML and KYC procedures, 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 whom the Bank reports have the power and authority to impose fines and other penalties and, in certain circumstances, may ask the Bank or any of its subsidiaries to cease operations. In addition, 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 (“**CFT**”) control processes that were detected during HKMA’s onsite visit to the Bank’s Hong Kong branch, during the period from August to October 2012. Even though the fine imposed by the HKMA did not 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 Burma/Myanmar, 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 caused by the Bank’s increased use of the internet. 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 increasing 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 Bank 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 lending norms of the RBI require 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 of March 31, 2017, the Bank's lending to priority sectors accounted for 31.97% of adjusted net bank credit, with 16.91% of net credit going to the agricultural sector. See "*Regulation and Supervision — The RBI and its Regulations — 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 June 30, 2017, the Bank had a network of 206 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 June 30, 2017, the Bank maintained correspondent relationships with 241 leading banks in 57 countries. The Bank also had, as of June 30, 2017, 1,409 relationship management application arrangements through the SWIFT network, facilitating interbank financial telecommunications, and intends to further expand its international operations. As of June 30, 2017, the international banking group's loan portfolio was equal to 15% of the Bank's total advances.

Additionally, the Bank has plans to open and upgrade 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 non-resident Indians and non-Indian customers. The Bank also expanded its operations into Africa through opening its seventh foreign subsidiary in Botswana in 2013.

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.



In addition, the Bank faces competition from banks in other countries that may have more experience and resources in those countries or in international operations generally. With the exception of certain countries, such as the Maldives, the Bank remains a small to mid-size operator in the international markets and many of its competitors have much greater resources.

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's overseas branches are required to effect ongoing upgrades in their monitoring systems and controls, risk management structures and processes to meet relevant regulatory requirements in their jurisdictions. The failure to comply may subject the Bank or its overseas branches to regulatory action. 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 financial penalty was imposed on Muscat Branch in August 2015 to failure to report cheque return information to the regulator which was caused by a technical glitch in the 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 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 enacts policy measures designed to curb inflation. For example, in fiscal years 2011 and 2012, the RBI enacted gradual increases in the annualized interest rate it charges banks for its loans (the "repo rate") and the annualized interest rate it pays to banks that place deposits with it (the "reverse repo rate") from 5.00% and 3.55%, respectively, on March 31, 2010 to a peak of 8.50% and 7.50%, respectively, with effect from October 25, 2011; it also increased its policy rates five times in fiscal year 2012. However, in fiscal year 2013, in order to increase liquidity, the RBI lowered the repo rate and reverse repo rate, to 7.25% and 6.25%, respectively, effective May 3, 2013 but in fiscal year 2014, the RBI again raised the repo rate to 8.00% and then started reducing the repo rate from the last quarter of fiscal 2015. As of the date of this Offering Circular, the repo rate and reverse repo rate are 6.00% and 5.75%, respectively, with effect from August 2, 2017. Similarly, the RBI gradually decreased the cash reserve ratio ("CRR"), which indicates the amount of cash a bank must hold in its reserves, from 6.00% in April 2010 to 4.00% effective February 9, 2013, in order to increase banks' ability to provide loans or make investments. As of the date of this Offering Circular, the CRR still stands at 4.00%.

Regulatory or legislative changes as a result of litigation involving the RBI and other Government bodies with respect to derivatives could affect the Bank's derivative business, as the Bank may be unable to continue to enter into certain types of income earning transactions or may incur increased administrative costs.

Future changes in the stance of the RBI could have an adverse impact on the Bank's capital adequacy and profitability. Any change by the RBI to the directed lending norms may result in the Bank being unable to meet the PSL 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.

The RBI may also direct banks to increase the PCR on credit portfolio which may adversely affect the Bank's financial condition and results of operations.

***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.***

On May 2, 2012, the RBI issued guidelines on the implementation of the Basel III capital regulation framework in India, and on July 1, 2015, it issued a master circular on Basel III capital regulations, consolidating all relevant guidelines on Basel III issued up to June 30, 2015 (together, the "**Basel III Guidelines**"). With effect from April 1, 2013, banks in India commenced implementation of the Basel III capital adequacy framework as stipulated by the RBI. The Basel III guidelines, among other things, establish Common Equity Tier 1 as a new tier of capital; impose a minimum Common Equity Tier 1 risk-based capital ratio of 5.5% and a minimum Tier 1 risk-based capital ratio of 7.0% while retaining the 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 during a parallel run period from 2013 to 2017; 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 were initially to be fully implemented by March 31, 2018, which was revised to March 31, 2019 in fiscal year 2014.

Applying the Basel III guidelines, unconsolidated capital ratios of the Bank as of June 30, 2017 were: Common Equity Tier 1 risk-based capital ratio of 10.06%; Tier 1 risk-based capital ratio of 10.67%; and total risk-based capital ratio of 13.31% and the consolidated capital ratios of the Group as of March 31, 2017 were: Common Equity Tier 1 risk-based capital ratio of 9.92%; Tier 1 risk-based capital ratio of 10.41%; and total risk-based capital ratio of 13.03%.

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. It also released guidelines on countercyclical capital buffer in February 2015. 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 reduction in the Bank’s regulatory capital ratios or increase in liquidity requirements applicable to it on account of regulatory changes or otherwise and any inability to access capital markets may 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 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.*” Furthermore, under the SBI Act, the Government, after consultation with the RBI and the Chairman of the Bank, may issue directives on matters of policy involving the public interest that may affect the conduct of the business affairs of the Bank. Further, under the SBI Act, the Bank is required to obtain approval from the Government for any increase in its authorized share capital. 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 adverse to investors in the Notes. See “*Regulation and Supervision — State Bank of India Act, 1955.*”

***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 financing.***

The SBI Act, pursuant to the State Bank of India (Amendment) Act, 2010, 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 seek funding from the capital markets. 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 accrete its capital base, 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 Bank may not be successful in implementing its growth strategies or penetrating new markets.***

One of the Bank’s principal business strategies is to expand into new businesses and financial services product offerings. To this end, the Bank has launched initiatives in general insurance, private equity funds and cash management services, among other businesses, in recent years. This strategy exposes the Bank 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 Bank;
- growth plans may not develop and materialize as the Bank anticipates and there can be no assurances that new product lines or businesses will become profitable;
- the Bank 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 Bank;

- the Bank will need to hire or retrain skilled personnel who are able to supervise and conduct the relevant new business activities, adding to the Bank's cost base; and
- competitors in the different business segments that the Bank operates in may have more experience and resources than the Bank which may affect its ability to compete.

In addition, the Bank'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 Bank's profitability or may be unsuccessful. In addition, the Bank 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 Bank'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. 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 implementation technical difficulties.***

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 and adversely affect 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 may not be able to properly manage its number of employees, which would negatively impact its business.***

As of June 30, 2017, the Bank had a total of 273,181 employees (including contractual officers and officers posted abroad), which was an increase from the 209,567 employees which the Bank had as at March 31, 2017. The Bank at various times carries out recruitment drives in accordance with its expansion program and to cater to the vacancies that arise out of the retirement of employees. When assessing its recruitment requirements, efficiencies resulting from the Bank's adoption of new technologies or prevailing market conditions are also taken into account by the Bank. Although the Bank has an effective system to manage its workforce and assess its need for human resources at a desired level, there can be no assurances, however, that the Bank will be able to continue the implementation of its plan to adjust its number of employees successfully in the future to the targeted levels. If the Bank is not successful in recruiting adequate number of skilled employees to execute its strategies, training and maintaining its standards across a large employee population, or retaining its growing population of the work force, this may have a material adverse effect on the future financial performance of the Bank.

***Any inability to attract and retain talented professionals may negatively affect the Bank.***

The Bank is recruiting officers with specific skill-sets for different areas. Considering the competitive nature of the job market, in areas such as risk, economist, security, the recruitment is made in higher pay scales to match the talent level as well as to the compensation being offered in the market. The Bank also employs certain officers with specific skill sets through campus interviews on a contract basis for various purposes. The Bank believes the salaries offered to such contract officers are competitive with respect to, and are in line with, salaries offered by private sector banks. The Bank's inability to attract and retain talented professionals or the resignation or loss of key management personnel, especially in light of its continued expansion, may have an adverse impact on the Bank's business, future financial performance and trading price of the Notes.

***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 employee remuneration scheme, up to the position of the general managers, is guided by an industry level bipartite settlement between the Indian Banks' Association, and the Bank's workers represented by their respective unions or associations. For example, the Indian Banks' Association and the Award Staff Unions and Officers Federation signed the 10th bipartite wage settlement on May 25, 2015, which provided for an upward revision of salary for the employees. All negotiations are subject to final approval by the Government, which limits the Bank's flexibility in implementing performance linked pay. The permanent employees constitute more than 99.0% of the Bank's total staff. Although their 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. The attrition rate is in the range of 1.0% to 2.0% among permanent staff, excluding the outflow due to retirement upon attaining superannuation. When required, the Bank also employs officers with specialized skills on a contract and on cost to company basis offering market related salaries. The attrition rate in this category is slightly higher than in permanent staff, but comparable with market levels for contract officers. To incentivize high performers, the Bank has modified and made attractive a performance-linked incentive scheme, which will help to reduce employee attrition and improve productivity. If the general banking industry increasingly moves toward incentive-based pay schemes, attrition rates could increase and the Bank could be forced to alter its remuneration scheme. The resultant pressures may result in diminished profitability, especially if rates of return do not experience a commensurate rise.

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

There are two majority and representative unions of the Bank. They are the All India State Bank Officers' Federation ("AISBOF") and All India State Bank of India Federation ("AISBISF"). Both unions are non-political. Approximately 91% of the Bank's clerical and subordinate staff are members of the AISBISF and 96% of the Bank's officers are the members of the AISBOF. AISBISF is affiliated to National Confederation of Bank Employees and AISBOF is affiliated to All India Bank Officers' Confederation ("AIBOC"). There have been strikes called by NCBE and AIBOC in the past in which the Bank's employees have participated. In more recent times, unions and associations are responding positively to the Bank's call to, among other things, improve employee productivity, customer service and business growth.

AISBOF and AISBISF participated in a strike on November 12, 2014 and zonal strikes from December 2, 2014 to December 5, 2014, both of which was called by UFBU to demand salary revision at an industry level, which caused some disturbances in the Bank's operations. The Indian Banks' Association and the Award Staff Unions and Officers Federation signed a settlement with on May 25, 2015, which resulted in an upward revision in the employees' salaries. While the Bank believes it generally has a strong working relationship with its unions, there can be no assurance that the Bank will continue to have 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 all or part of its operations until disputes are resolved. Such suspension of all or part of the Bank's operations could adversely affect 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.***

The Bank and its subsidiaries and associates are often involved in certain litigation matters in the ordinary course of the Group's 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 "Description of the Bank — Legal and Regulatory Proceedings."

***The Bank has contingent liabilities.***

As of June 30, 2017, the Bank had contingent liabilities of approximately Rs.12,613.44 billion, recording an increase of 20.5% in comparison to the Bank's contingent liabilities of Rs.10,464.41 billion as of March 31, 2017. This increase in contingent liabilities since March 31, 2017 was primarily due to an increase in claims against the Bank not acknowledged as debt, from Rs.289.71 billion as of March 31, 2017 to Rs.335.09 billion as of June 30, 2017. Further, the amount of outstanding forward exchange contracts has increased to Rs.7,379.96 billion as of June 30, 2017, from Rs.5,726.02 billion as of March 31, 2017.

If the Bank'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 law relating to the winding up of companies 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**

***Increased volatility or inflation of commodity prices in India could adversely affect the Bank's business.***

In recent months, consumer and wholesale prices in India have exhibited a degree of volatility. For example, after spiking in August 2017, food prices decreased rapidly in September 2017. Although food inflation came in lower than expected at 1.8% year-on-year, fuel inflation and core inflation (which excludes food, fuel, petrol and diesel) rose to 5.6% and 4.4%, respectively.

The wholesale price index turned from inflationary to deflationary since November 2014. However, it turned positive in this fiscal year and is at 3.6% in August 2017. In respect of retail inflation, the Consumer Price Index ("CPI") is 3.36% on a year-on-year basis in August 2017 compared to 5.05% in August 2016.

Any increased volatility or rate of inflation of global commodity prices, in particular oil and steel prices, could adversely affect the Bank's borrowers and contractual counterparties. Although the RBI has enacted certain policy measures designed to curb inflation, these policies may not be successful. Because of the importance of its retail banking portfolio and the importance of its agricultural loan portfolio to its business, any slowdown in the growth of the housing, automobile and agricultural sectors could adversely impact the Bank's business, financial condition and results of operations.

***A significant increase in the price of crude oil could adversely affect the Indian economy and the Bank's business.***

India imports approximately 80% of its requirements of crude oil, which comprised approximately 23% of total imports in fiscal year 2017; accordingly, a significant increase in the price of crude oil could adversely affect the Indian economy. Since 2004, there have been several periods of sharp increase in global crude oil prices due to both increased demand and speculation and pressure on production and refinery capacity, and political and military tensions in key oil-producing regions, among other factors. A sharp increase in global crude oil prices during calendar year 2010 caused the Indian Wholesale Price Index to peak at 10.9% in April 2010. Following the recovery in the global



economic environment in fiscal year 2011 and increasing tensions in the Middle East and North Africa, global oil prices increased in fiscal year 2012. However, oil prices fell dramatically, in the first quarter of fiscal year 2013 before rising again and moderating in second half of fiscal year 2013, due to concerns over a slowdown in global economic growth. In the second half of 2014, oil prices fell again dramatically partially recovering in the first half of 2015 before declining again in the fourth quarter of 2015. From 2017 crude oil prices have started stabilizing. The Government has also deregulated the prices of certain oil products resulting in greater pass-through of international crude prices to domestic oil prices. Increases or volatility in oil prices and the pass-through of such increases to Indian consumers could have a material adverse impact on the Indian economy and on the Indian banking and financial system in particular, including through a rise in inflation and market interest rates and a higher trade deficit. This could adversely affect the Bank's business, results of operations, financial condition and prospects.

***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 has deteriorated in the last financial year. It is difficult to gauge the impact of these fundamental economic changes on the Bank's business. With the global economy slowing down, any slowdown in the Indian economy could adversely affect the Bank's business, results of operations, financial condition 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 Bank's assets and customers are predominantly located in India. The Government has traditionally exercised and continues to exercise a dominant influence over many aspects of the 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.*"

The election of a pro-business majority Government in May 2014 marked a distinct increase in expectations for policy and economic reforms among certain aspects of the Indian economy. The Government has announced several economic reforms initiatives during its term in office including: allowing banks to raise capital from the market to meet capital adequacy requirements by diluting the Government's stake to a maximum of up to 52%; launching the "Pradhan Mantri Jan Dhan Yojana", a scheme that seeks to provide the Indian people with universal access to banking facilities; and issuing new bank licenses to 11 payment banks and ten small finance banks. Furthermore, in order to facilitate the inflow of foreign direct investment ("FDI"), the Government has liberalized various sectors of the Indian economy including defense, railway, pharmaceuticals and insurance. Also, to facilitate the inflow of FDI, the RBI, among other measures, has increased the limits of foreign portfolio investors investment in Government securities.

There is no guarantee that the Government will be able to enact an optimal set of reforms or that any such reforms would continue or succeed if there was a change in the current majority leadership in the Government in the future or at all. The rate of economic liberalization is subject to change in monetary policies of advanced economies and change in specific laws and policies affecting banking and finance companies, foreign investment, currency exchange and other matters affecting investment in the Issuer's securities which policies and laws, are continuously evolving as well. Other major reforms that have been proposed are the direct tax code and the general anti-avoidance rules.

Any significant change in the Government's economic liberalization and deregulation policies could adversely affect business and economic conditions in India and could also adversely affect the Bank's business, its future financial performance and the trading price of the Notes. See "*A downgrade in ratings of India, the Indian banking sector or of the Bank may affect the trading price of the Notes.*"

***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, but not limited to, the 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.

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 crisis such as in relation to the ongoing Greek debt crisis, has led to increased liquidity and credit concerns and volatility in the global credit and financial markets. On June 23, 2016, the United Kingdom held a referendum on its membership of the European Union and voted to leave ("**Brexit**"). There is significant uncertainty at this stage 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. For example, Brexit could give rise to increased volatility in foreign exchange rate movements and the value of equity and debt investments. 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.

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 of 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. On November 9, 2011, Moody's changed the outlook of the Indian banking system from "stable" to "negative", citing concerns of an increasingly challenging operating environment which could adversely affect asset quality, capitalization and profitability. On April 25, 2012, S&P Global Ratings downgraded the long-term counterparty credit rating outlook for the Bank and ten other leading Indian banks from "stable" to "negative" and warned that it may downgrade the credit ratings depending on the banks' asset quality and India's sovereign credit rating. On May 14, 2012, Moody's lowered the standalone ratings of India's top three private sector banks based on concerns over, among other things, India's sovereign debt ratings, lack of cross-border diversification, high exposure to domestic sovereign debt, and intrinsic strength. In 2012, global rating agency Fitch Ratings

downgraded the credit rating outlook of 11 financial institutions to “negative” based on their close links with the government, having scaled down India’s sovereign credit rating outlook from “stable” to “negative” two days earlier, citing structural challenges such as corruption, inadequate economic reforms, and slow economic growth combined with elevated inflation.

Around November 9, 2011, Moody’s maintained a “negative” outlook on the Indian banking system. The outlook reflected the negative effects of currency volatility, persistent inflation, and slowing economic growth. On November 6, 2014, Moody’s stated that asset quality of Indian public-sector banks will continue to be burdened by weak corporate financial performance. On June 12, 2013, Fitch Ratings changed the outlook on India’s sovereign rating to “stable” from “negative”, citing the measures taken by the Government to contain the budget deficit, including the commitments made in the fiscal 2014 budget, as well as the (albeit limited) progress in addressing some of the structural impediments to investment and economic growth. In July 2014, Fitch Ratings retained its “stable” outlook and stated that the budget announced by the new government was a positive factor and that further revisions will be dependent on the Government’s willingness to make difficult choices. On February 10, 2014, S&P Global Ratings published a report titled “India Banking Outlook: Little Respite in Sight”, in which it was highlighted that the growth, profitability, and asset quality of Indian banks was likely to remain subdued for the next 12 months, despite economic growth. On September 26, 2014, S&P Global Ratings revised its outlook on the Bank to “stable” from “negative”. Further, on October 29, 2014, Moody’s kept the outlook on India’s banking system as negative, reflecting its view that high leverage in the corporate sector could prevent any meaningful recovery in asset quality over the next 12 to 18 months. In November 2015 Moody’s changed India’s banking sector outlook to stable from negative and in April 2015 changed its sovereign outlook to positive from stable. These outlook positions remained relatively stable through 2016. In 2017 the International credit rating agencies have maintained a stable outlook on the sovereign credit rating of India and, accordingly, sector outlook has been judged as stable. However, there are interbank variations in terms of the outlooks of individual banks. There can be no assurance that these ratings will not be further revised by Moody’s, S&P Global Ratings or Fitch or that any other global rating agency will also not downgrade the Bank’s or the Indian banking system’s ratings. Any such downgrade in ratings may materially and adversely affect the cost of funds available to the Bank and the trading price of the Notes. 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 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. Further, 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 drought 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. The normal monsoon could have a positive impact on the Indian economy. However, the occurrence of similar or other natural calamities, such as the calamity that occurred in 2015, 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.

***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 amongst 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 "*The Indian Financial Sector.*"

***An outbreak of avian or swine influenza or other contagious diseases may adversely affect the Indian economy and the Bank's business.***

Since late 2003, a number of countries in Asia, including India, as well as countries in other parts of the world, have had confirmed cases of the highly pathogenic H5N1 and H1N1 strains of influenza in birds and swine. Certain countries in Southeast Asia have reported cases of bird to human transmission of avian and swine influenza resulting in numerous human deaths. The World Health Organization and other agencies have issued warnings on a potential avian or swine influenza pandemic if there is sustained human to human transmission. In May 2015, there were a number of confirmed cases of Middle East respiratory syndrome and several related deaths in Korea. Future outbreaks of avian or swine influenza or a similar contagious disease could adversely affect the Indian economy and economic activity in the region. As a result, any present or future outbreak of avian or swine influenza or other contagious diseases could have a material adverse effect on the Bank's business.

***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 was 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 a substantial portion 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 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 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 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 Circular, 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 Circular, nor does the Bank provide a reconciliation of its financial statements to those prepared pursuant to U.S. GAAP or IFRS. U.S. GAAP and IFRS differ in significant respects from Indian GAAP. Accordingly, the degree to which the Indian GAAP financial statements included in this Offering Circular 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 Circular.

***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**”), Government of India, notified 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 the banks. Under this notification, all scheduled commercial banks (excluding Regional Rural Banks) shall 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. 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. Further, 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. Further, 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 by U.S.\$14.2 from U.S.\$341.4 billion as of March 31, 2015 to U.S.\$355.6 billion as of March 31, 2016 and further to U.S.\$369.9 billion as of March 31, 2017. As of September



1, 2017, India's foreign exchange reserves were U.S.\$398.1 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.

***The Bank's ability to repay foreign currency debt may be affected by exchange rate fluctuations.***

Most of the Bank's income and profits are generated in Indian Rupees. Further, the Bank has a significant amount of non-Rupee indebtedness (including the obligation under the Notes which are denominated in U.S. dollars) thereby resulting in foreign currency risk in respect of the Bank's ability to service such debt. The exchange rates between the Indian Rupee and other currencies have recently experienced substantial volatility. While from time to time the Bank may hedge its foreign currency exposures, the Bank may be affected by fluctuations in the exchange rates between the Indian Rupee and other currencies. This may adversely affect the business, prospects, results of operations and financial condition of the Bank and its ability to service the Notes.

***Trade deficits could adversely affect the Bank's business and the trading price of the Notes.***

India's trade relationships with other countries can influence Indian economic conditions. As of July 2017, trade deficit is at Rs.738 billion. In fiscal year 2017, India experienced a trade deficit of Rs.7,096.1 billion compared to Rs.773.2 billion in fiscal year 2016. If India's trade deficit increases and becomes unmanageable, the exchange rate and the Indian economy, and therefore the Bank's business, future financial performance and the trading price of the Notes could be adversely affected.

***The proposed new taxation system in India could adversely affect the Bank's business and the trading price of the Notes.***

The Government has proposed two major reforms in Indian tax laws, namely the goods and services tax and provisions relating to General Anti Avoidance Rules ("GAAR"). The goods and services tax ("GST") has 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. Legal process in relation to introduction of GST in India is a work-in-progress.

With respect to GAAR, the provisions have come into effect from April 1, 2017 i.e. fiscal year 2017-18. 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 assessee, 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. Additionally on July 9, 2015, the U.S. entered into an inter-governmental agreement ("IGA") with India. Under the provisions of the IGA, Indian financial institutions are required to provide necessary information to Indian tax authorities, which will then be automatically transmitted to the USA. India has also committed to implement the common reporting standards ("CRS") on the Automatic Exchange of Financial Account Information, where the financial institutions of the source jurisdiction is required to collect and report information about account holders "resident" in other countries to their tax authorities and such information would automatically be transmitted on an annual basis. The information to be exchanged relates not only to individuals but also to shell companies and trusts having beneficial ownership or interest in the "resident" countries.

There are uncertainties with the taxation system and therefore, the Bank cannot determine the effects resulting from the changes. There can be no assurance that such effects would not adversely affect its business, future financial performance and the trading price of the Notes.

***The Securities and Exchange Board of India (“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. Further, 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 implementation of Basel III Guidelines may have an adverse effect on the Bank and the position of the Noteholders.***

On December 17, 2009, the Basel Committee on Banking Supervision (the “**Basel Committee**”) proposed a number of fundamental reforms to the regulatory capital framework in its consultative document entitled ‘Strengthening the resilience of the banking sector’ (“**Basel III**”). On December 16, 2010 and on January 13, 2011, the Basel Committee issued its final guidance on Basel III and minimum requirements, respectively. The Basel Committee proposed that the guidelines be implemented from January 1, 2013. These guidelines have been implemented in India through the Basel III Guidelines, which came into effect on April 1, 2013, and are subject to a series of transitional arrangements to be phased in over a period of time and, according to the latest RBI circular dated July 1, 2015, will be fully implemented by March 31, 2019.

The RBI has indicated that the capital requirements for the implementation of the Basel III Guidelines may be lower during the initial period and higher in later years. The Basel III Guidelines require, among other things, higher levels of Tier I capital, including common equity, capital conservation buffers, deductions from common equity Tier I capital for investments in subsidiaries (with minority interest), changes in the structure of debt instruments eligible for inclusion in Tier I and Tier II capital and preference shares in Tier II capital, criteria for classification as common shares, methods to deal with credit risk and reputational risk, capital charges for credit risks, introduction of a leverage ratio and criteria for investments in capital of banks, financial and insurance entities (including where ownership is less than 10%). The Basel III Guidelines also stipulate that non-equity Tier I and Tier II capital should have loss absorbency characteristics, which require them to be written down or be converted into common equity upon the occurrence of a pre-specified trigger event.

In addition, the Basel Committee published a guidance report titled ‘Principles for Sound Liquidity Risk Management and Supervision’ in September 2008 to address the deficiencies that were witnessed in liquidity risk management during the recent global financial crisis. This was followed by the publication of ‘Basel III: International framework for liquidity risk measurement, standards and monitoring’ in December 2010 which introduced two minimum global regulatory standards, namely the liquidity coverage ratio (“**LCR**”) and the net stable funding ratio (“**NSFR**”) and a set of monitoring tools. The LCR promotes short-term resilience of banks to potential liquidity disruptions by ensuring that they have sufficient high quality liquid assets to survive an acute stress scenario lasting for 30 days. The NSFR promotes resilience over longer-term time horizons by creating additional incentives for banks to fund their activities with more stable sources of funding on an ongoing structural basis. On November 7, 2012 the RBI issued guidelines to consolidate the various instructions or guidance on liquidity risk management and to harmonize and enhance these instructions or guidance in line with the Principles for Sound Liquidity Risk Management and

Supervision as well as the Basel III Guidelines. They include enhanced guidance on liquidity risk governance, the measurement, monitoring and reporting of liquidity positions to the RBI and minimum global regulatory standards of LCR and NSFR. While the enhanced liquidity risk management measures are to be implemented by the banks immediately, the LCR and NSFR standards will be binding on banks from January 1, 2015 and January 1, 2019, respectively. Until then, banks are required to comply with Basel III Guidelines on a “best efforts” basis. In its circular dated June 9, 2014, the RBI has set out that from January 1, 2015 onwards, banks should have a minimum LCR of 60% which will be implemented in a shared manner to be fully implemented by January 1, 2019.

The RBI and/or any other relevant authority, including the relevant regulatory authorities in the jurisdictions where the Bank’s branches are located, may implement the package of reforms, including the terms which capital securities are required to have, in a manner that is different from that which is currently envisaged, or may impose more onerous requirements. Although, the Bank’s current capitalization levels are in line with these requirements, unless it is able to access the necessary amount of additional capital, any incremental increase in the capital requirement may adversely impact the Bank’s ability to grow its business or may require the Bank to withdraw from or to curtail some of its current business operations. There can be no assurance that the Bank will be able to raise adequate additional capital in the future on terms favorable to it or at all. Further, the Basel III Guidelines, when fully implemented, may adversely affect the position of any holder of the Notes.

***The Indian banking sector is subject to external economic forces.***

In its latest financial stability report dated June 2017, the RBI highlighted that the global recovery remains fragile amidst weak and uneven growth, a slowdown in world trade and prevailing uncertainties in financial and commodities markets. The Indian economy at this juncture stands out in terms of growth and investment potential. India’s external sector indicators show a relatively stronger position. However, a faster growth in India’s oil import in terms of volume in recent years makes it imperative to be alert to the risks of commodity cycle reversals. The prediction of a normal monsoon augurs well for agriculture sector growth in 2017-18, although the spatial and temporal distribution matter as much as the total quantum of rainfall. Better monsoon can lead to better rural demand which can help banks in their business. While stress in the corporate sector showed some signs of moderation in 2015-16, the risks of lower demand and weaker debt servicing capacity continue. The stress in the corporate sector is mirrored by the banking sector. As global uncertainties and dynamics impact India with its increasing level of integration with the global economy, continuation of sound domestic policies and structural reforms become important.

The Indian banking sector, as a whole, has maintained its Capital to Risk (Weighted) Assets Ratio (“**CRAR**”) above the regulatory requirement of 9.0% under the Basel III Guidelines. As of March 31, 2017, the banking system’s CRAR increased to 13.6% from 13% as of September 30, 2016. Although the banking system has remained resilient, financial conditions in India have put pressure on the asset quality of Indian banks. The levels of gross NPA ratio for Indian banks increased to 5.5% as of March 2017 and the levels of net NPA also increased to 9.6% for March 2017, according to the RBI. Stressed asset ratio for the Indian banking sector stood at 12% as of March, 2017. 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 12.5% as of March 2017, while their stressed asset ratio was 15.6%, which was 1.5% 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 Circular 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.

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 the Government owned 57.07% of the Bank's issued share capital as of the date of this Offering Circular, 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.

***Notes issued as green bonds may not be a suitable investment for all investors seeking exposure to green assets.***

The Bank may issue Notes under the Program as green bonds and the proceeds from the issuance of green bonds, as and when issued by the Issuer under the Program, will be applied towards investment in Eligible Green Projects. The Bank has agreed that Eligible Green Projects will broadly cover projects that fulfil certain criteria under the Climate Bonds Standard (see "*Use of Proceeds*").

There is currently no market consensus on what precise attributes are required for a particular project to be defined as "green", and therefore no assurance can be provided to potential investors that the relevant Eligible Green Projects will continue to meet the relevant evaluation and eligibility criteria. Although applicable green projects are expected to be selected in accordance with the categories recognized by the ICMA Green Bond Principles and the Bank's evaluation criteria as described in the section titled "*The Issuer's Green Bond Framework*", there can be no guarantee that adverse environmental and/or social impacts will not occur during the design, construction, commissioning and/or operation of any such green projects. Where any negative impacts are insufficiently mitigated, green projects may become controversial and/or may be criticised by activist groups or other stakeholders.

Prospective investors should have regard to the relevant evaluation and eligibility criteria described in this Offering Circular. Each potential purchaser of any green bonds should determine for itself the relevance of the information contained in this Offering Circular and regarding the use of proceeds and its purchase of any green bonds should be based upon such investigation as it deems necessary.

***Where the AMTNs are lodged with the Austraclear System, investors will have to rely on the procedures of Austraclear for transfer, payment and communication with the Issuers.***

AMTNs will be issued in registered certificated form. Each Tranche of AMTNs will be represented by an AMTN Certificate. Each AMTN Certificate is a certificate representing the AMTNs of a particular Tranche and will be substantially in the form set out in the Note (AMTN) Deed Poll, duly completed and signed by the Issuers and authenticated by a registrar in Australia in respect of AMTNs. An AMTN Certificate is not a negotiable instrument nor is it a document of title. Title to any AMTNs, which is the subject of an AMTN Certificate, is evidenced by entry in the A\$ Register and, in the event of a conflict, the A\$ Register shall prevail (subject to correction for fraud or proven error).

The Issuers may procure that the AMTNs are lodged with the Austraclear System. On lodgement, Austraclear will become the sole registered holder and legal owner of the AMTNs. Subject to the rules and regulations of the Austraclear System (the **Austraclear System Regulations**) established by Austraclear (as amended or replaced from time to time) to govern the use of the Austraclear System, participants of the Austraclear System (**Accountholders**) may acquire rights against Austraclear in relation to those AMTNs as beneficial owners and Austraclear is required to deal with the AMTNs in accordance with the directions and instructions of the Accountholders. Investors in AMTNs who are not Accountholders would need to hold their interest in the relevant AMTNs through a nominee who is an Accountholder. All payments made by the Issuers in respect of AMTNs lodged with the Austraclear System will be made directly to an account agreed with Austraclear or as it directs in accordance with the Austraclear System Regulations.



Where the AMTNs are lodged with the Austraclear System, any transfer of AMTNs will be subject to the Austraclear System Regulations. Secondary market sales of AMTNs cleared through the Austraclear System will be settled in accordance with the Austraclear System Regulations.

***An active trading market for the Notes may not develop.***

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 Issuer's operations and the market for similar securities. The Dealers 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 relevant Dealers. 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, as and when issued, will be denominated and payable in the applicable Specified Currency. If an investor measures its investment returns by reference to a currency other than the applicable Specified Currency, an investment in the Notes entails foreign exchange-related risks, including possible significant changes in the value of the applicable Specified Currency 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 applicable Specified Currency 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 March 31, 2017, the Bank had Rs.5.1 billion of outstanding borrowings (debts) that ranks *pari passu* with the outstanding Notes.

***Payments made on the Notes are subordinated 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.***

Any ratings assigned to the Notes that may be issued under the Program 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 and Marketing Restrictions.*”

***The Notes (other than AMTNs) are governed by English law.***

The terms and conditions of the Notes (other than AMTNs) are governed by English law and, in the case of AMTNs, the law of New South Wales, Australia. No assurance can be given as to the impact of any possible judicial decision or change in English law or Australian law or administrative practice after the date of the issue of this Offering Circular 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 Bank can give no assurance that it will be able to obtain such approvals.

***The interest rate on the Notes may be reset, which may affect the market value of the Notes.***

The interest rate on the Notes may be reset and this reset rate could be less than the initial rate of interest and/or the interest rate that applies immediately prior to such reset, which could affect the amount of any interest payments under the Notes and so the market value of an investment in the Notes.

**Risks Relating to the Subordinated Notes**

***The Notes which are Subordinated Notes are subordinated and have only limited rights of acceleration.***

The relevant Pricing Supplement may specify that the Notes will be Subordinated Notes (as defined in Condition 1 of the Terms and Conditions of the Notes) which will be subordinated obligations of the Bank. The Subordinated Notes will constitute unsecured and subordinated obligations of the Bank. Each of the Additional Tier 1 Notes and the Tier 2 Notes will rank *pari passu* and without preference among the Additional Tier 1 Notes and the Tier 2 Notes respectively. The

Subordinated Notes are not deposits and are not insured by the Bank or guaranteed or insured by any party related to the Bank and they may not be used as collateral for any loan made by the Bank. In the event of a liquidation or winding up (as determined pursuant to the SBI Act) of the Bank, the claims of the holders of Tier 2 Notes and any relative receipts pursuant thereto will be subordinated in right of payment to the claims of all other creditors (other than claims of holders of Subordinated Indebtedness (as defined in the terms and conditions of the Notes) ranking equal to or lower than the claims of the holders of Tier 2 Notes and any relative receipts, if any) of the Bank in the manner and to the extent provided in the Trust Deed. In the event of a liquidation or winding up (as determined pursuant to the SBI Act) of the Bank, claims in respect of the Additional Tier 1 Notes will rank: (a) senior to the claims of investors in equity shares and perpetual non-cumulative preference shares of the Bank; (b) subordinate to the claims of all depositors and general creditors and holders of subordinated debt of the Bank other than any subordinated debt qualifying as Additional Tier 1 Capital (as defined in the terms and conditions of the Notes) of the Bank (as defined under the RBI Guidelines); and (c) *pari passu* and without preference among themselves and with any other claims in respect of debt instruments classified as Additional Tier 1 Capital under the RBI Guidelines and, to the extent permitted by the RBI Guidelines, with any subordinated obligation that was eligible for inclusion in hybrid Tier I capital under the then prevailing Basel II guidelines of the RBI. As a consequence of these subordination provisions, in the event of a winding-up of the Bank's operations in accordance with the SBI Act, the holders of the Subordinated Notes may recover proportionately less than the holders of more senior-ranking liabilities, including the Bank's deposit liabilities and other unsubordinated liabilities.

In the event of the Bank's winding-up or liquidation, holders of Subordinated Notes may claim for the Outstanding Nominal Amount of their Notes (that is, the amount of such Notes following any Write-Down or, in the case of Additional Tier 1 Notes, Reinstatements) plus any accrued but unpaid interest. Furthermore, if the Bank's indebtedness were to be accelerated, its assets may be insufficient to repay in full borrowings under all such debt instruments, including the Notes.

***Subordinated Notes may be subject to write off on the occurrence of a PONV Trigger Event, or, in the case of Additional Tier 1 Notes only, a CET1 Trigger Event.***

The Basel Committee recommended a number of fundamental reforms to the regulatory capital framework for internationally active banks which are designed, in part, to ensure that capital instruments issued by such banks fully absorb losses before tax payers are exposed to loss (the "**Basel III Reforms**"). The principal elements of the Basel III Reforms are set out in the Basel Committee paper dated December 16, 2010 (as revised in June 2011) and in a press release dated January 13, 2011. The Basel III Reforms were implemented in India, through the Basel III Guidelines, with effect from April 1, 2013, and are subject to a series of transitional arrangements to be phased in over a period of time. The capital ratios specified in the Basel III Guidelines will be fully implemented on March 31, 2019.

The Basel III Reforms include a requirement for all Additional Tier 1 instruments and Tier 2 instruments (such as the Additional Tier 1 Notes and the Tier 2 Notes) to be written off or converted into ordinary shares upon the occurrence of a PONV Trigger Event (the "**PoNV rule**"). The PoNV rule may be met contractually (by inclusion of appropriate provisions in the terms and conditions of the instrument) or by the existence of laws in a jurisdiction that give relevant authorities appropriate powers. In India, the PoNV rule has been implemented as a requirement for appropriate provisions to be included in the terms and conditions of the instrument. A "**PONV Trigger Event**" under the Indian regulations means, in respect of the Bank or the Group, the earlier of: (a) a decision that a write-down, without which the Bank or the Group (as the case may be) would become non-viable, is necessary, as determined by the RBI; and (b) the decision to make a public sector injection of capital, or equivalent support, without which the Bank or the Group (as the case may be) would have become non-viable, as determined by the RBI. The Subordinated Notes will be permanently written-down on the occurrence of such PONV Trigger Event (see Condition 9.1). In the event of a Write-Down, investors

may lose the entire amount of their investment in any Subordinated Notes. In the event that a PONV Trigger Event or CET1 Trigger Event (in the case of Additional Tier 1 Notes only) occurs, all or some of the rights of holders of Subordinated Notes and the Receipts and Coupons relating to them shall be subject to Write-Down. This may not result in the same outcome for Subordinated Noteholders as would have occurred upon the occurrence of any winding-up proceedings of the Bank.

Furthermore, upon the occurrence of a Write-Down of any Subordinated Notes, the right to receive interest on any portion of nominal amount Written-Down will cease and all interest amounts that were not due and payable prior to the Write-Down shall be cancelled. Consequently, Noteholders will not be entitled to receive any interest that has accrued on such portion of nominal amount of Subordinated Notes Written Down from (and including) the last Interest Payment Date falling on or prior to the Loss Absorption Event Notice. In the case of a Write-Down in respect of a PONV Trigger Event only, any such Write-Down will be permanent and the Noteholders will, upon the occurrence of such Write-Down, not receive any shares or other participation rights of the Bank or be entitled to any other participation in the upside potential of any equity or debt securities issued by the Bank, or be entitled to any subsequent write-up or any other compensation in the event of a recovery of the Bank.

It will be difficult to predict when, if at all, a principal Write-Down of Subordinated Notes will occur. The RBI has provided limited guidance as to how it would determine non-viability. Under RBI regulations, non-viability could result from the Bank's financial and other difficulties likely to result in financial losses and affect its ability to continue as a going concern. Non-viability may be declared if the resultant augmentation of equity is likely to restore depositors' and investors' confidence or improve the rating and creditworthiness of the Bank. However, it is possible that the RBI's position on these matters may change over time. Non-viability may be significantly impacted by a number of factors, including factors which affect the business, operation and financial condition of the Bank. For instance, systemic and non-systemic macroeconomic, environmental and operational factors, domestically or globally, may affect the viability of the Bank. Accordingly, trading behavior in respect of any Additional Tier 1 Notes or Tier 2 Notes may not follow the trading behavior associated with other types of securities. Potential investors in any Additional Tier 1 Notes or Tier 2 Notes should consider the risk that a holder may lose all of its investment, including the principal amount plus any accrued interest, if such regulatory loss absorption measures are acted upon.

Furthermore, there can be no assurance that the Basel Committee will not propose further amendments to the Basel Accord or that the relevant authorities in India will not impose requirements on banks that are more onerous than those contained in the Basel III Reforms. Further changes in law after the date hereof may affect the rights of holders of the Subordinated Notes as well as the market value of the Subordinated Notes.

In addition, Additional Tier 1 Notes will be Written-Down upon the occurrence of a CET1 Trigger Event. If the Bank's or the Group's Common Equity Tier 1 Ratio is at or below 5.5% (in the period prior to March 31, 2019) or 6.125% (thereafter), accrued interest on the Additional Tier 1 Notes will be cancelled and the Outstanding Nominal Amount of the Additional Tier 1 Notes may be reduced (see Condition 9.2 of the terms and conditions of the Notes). Holders may lose all or some of their investment as a result of a Write-Down. During the period of any Write-Down, interest will accrue on the Outstanding Nominal Amount of the Additional Tier 1 Notes, which shall be lower than their Issued Nominal Amount.

Following a Write-Down pursuant to a CET1 Trigger Event, the Outstanding Nominal Amount of the relevant Additional Tier 1 Notes may be increased up to the Maximum Reinstatement Amount (each as defined in the Conditions). However, such Reinstatement is at the discretion of the Issuer and is subject to any conditions specified in (i) the applicable Pricing Supplement or (ii) the RBI Guidelines, or as are otherwise notified to the Issuer by the RBI, from time to time. There can be no assurance that the Issuer will, or will be able to, exercise its discretion to reinstate any principal amount of Additional Tier 1 Notes which has been Written-Down.

The market price of the Additional Tier 1 Notes is expected to be affected by fluctuations in the Bank's and/or the Group's Core Equity Tier 1 Capital Ratio. Any indication that the Bank's and/or the Group's Core Equity Tier 1 Capital Ratio is trending towards 5.5% (in the period prior to March 31, 2019) or 6.125% (thereafter) may have an adverse effect on the market price of the Additional Tier 1 Notes. The level of the Bank's and/or the Group's Core Equity Tier 1 Capital Ratio may significantly affect the trading price of the Additional Tier 1 Notes.

***The terms of the Subordinated Notes contain no limitation on issuing debt or senior or pari passu securities.***

The Additional Tier 1 Notes, the Tier 2 Notes, the Trust Deed and the Agency Agreement do not limit the amount of liabilities ranking senior to the relevant Subordinated Notes which may be hereafter incurred or assumed by the Bank. Pursuant to Condition 3.2 and 3.3 of the terms and conditions of the Notes respectively, the Additional Tier 1 Notes will rank *pari passu* with the claims of subordinated obligations of the Bank which rank, or are expressed to rank, *pari passu* with the claims in respect of the Additional Tier 1 Notes, and any subordinated obligations of the Bank that were eligible for inclusion in hybrid Tier 1 capital under the Basel II guidelines, only to the extent permitted by the RBI guidelines at the relevant time, and the Tier 2 Notes will rank *pari passu* with the claims of subordinated obligations of the Bank which rank, or are expressed to rank, *pari passu* with the claims in respect of the Tier 2 Notes. As at the date of this Offering Circular, the interpretation of the RBI guidelines on this point is unclear. Accordingly, investors should be aware that a particular series of the Additional Tier 1 Notes may rank junior to other Additional Tier 1 Notes and any outstanding instrument that qualified as hybrid tier I capital under the Basel II Guidelines in any winding-up proceedings of the Bank.

***The Bank may vary the terms of Subordinated Notes.***

The Bank may, without the consent or approval of the Noteholders or the Trustee, but subject to the prior approval of the RBI, vary the terms of any Subordinated Notes, so that they remain or, as appropriate, become Qualifying Subordinated Notes, subject to certain conditions. The terms of such varied Subordinated Notes may contain one or more provisions that are substantially different from the terms of the original Notes, provided that the Subordinated Notes remain Qualifying Subordinated Notes in accordance with the Conditions. While the Bank cannot make changes to the terms of the Subordinated Notes that would result in the varied securities having terms and conditions materially less favorable to a Noteholder than the Subordinated Notes, the Bank will determine whether such terms and conditions are materially less favorable and will not be required to take into account the tax treatment of the varied securities in the hands of all or any holder of Subordinated Notes. Furthermore, the Trustee has no obligation or ability to verify whether the requirements for such variations have been satisfied and will have no discretion in determining whether any such variation results in terms that are materially less favorable to the holders of Subordinated Notes. Accordingly, the tax and stamp duty consequences of holding such varied Notes could be different for some categories of Noteholder from the tax and stamp duty consequences for them of holding the Notes prior to such variation.

***Upon the occurrence of a PONV Trigger Event or a CET1 Trigger Event, clearance and settlement of the Subordinated Notes will be suspended and there may be a delay in updating the records of the relevant clearing system to reflect the amount Written-Down.***

Following the receipt of a Loss Absorption Event Notice, all clearance and settlement of the Subordinated Notes will be suspended. As a result, Noteholders will not be able to settle the transfer of any Subordinated Notes during the Suspension Period (as defined in the Terms and Conditions of the Notes) and any sale or other transfer of the Subordinated Notes that a Noteholder or may have initiated prior to the commencement of the Suspension Period that is scheduled to settle during the Suspension Period will be rejected by the relevant clearing system and will not be settled within the

relevant clearing systems. The update process of the relevant clearing system may only be completed after the date on which the Write-Down is scheduled. Notwithstanding such delay, holders of the Subordinated Notes may lose the entire value of their investment in the Subordinated Notes on the date on which the Write-Down occurs. No assurance can be given as to the period of time required by the relevant clearing system to complete the update of their records or the availability of procedures in the relevant clearing systems to effect any Write-Down. Furthermore, the conveyance of notices and other communications by the relevant clearing system to their respective participants, by those participants to their respective indirect participants, and by the participants and indirect participants to beneficial owners of interests in the Global Note will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

***Interest amounts on the Additional Tier 1 Notes are not cumulative. Interest amounts may be cancelled at the Bank's discretion and must not be paid in certain circumstances.***

Interest amounts on the Additional Tier 1 Notes are discretionary and non-cumulative. The Bank may elect at its full discretion not to pay and, in the circumstances outlined below, must not pay, all or some of the interest falling due on the Additional Tier 1 Notes on any Interest Payment Date. Any interest not so paid on any such Interest Payment Date shall be cancelled and shall no longer be due and payable by the Bank. A cancellation of interest pursuant to Condition 6.7 of the terms and conditions of the Notes does not constitute a default under the Additional Tier 1 Notes for any purpose.

Further, pursuant to Condition 6.7 of the terms and conditions of the Notes, the Bank may only pay interest on the Additional Tier 1 Notes to the extent that such payment of interest is permitted to be paid under the RBI Guidelines. Where the current year's profits are not sufficient and such payment needs to be made out of revenue reserves, such payments are subject to the Bank meeting its minimum regulatory capital requirements at all times including the requirements of capital buffer frameworks (i.e. capital conservation buffer, countercyclical capital buffer and Domestic Systemically Important buffers) as set out in the RBI Guidelines. A failure to meet these requirements will result in a mandatory cancellation of interest payments.

Condition 6.7 of the Terms and Conditions of the Notes sets out the circumstances in which the Bank is required to cancel interest payments on Additional Tier 1 Notes pursuant to the RBI Guidelines. Investors should be aware that any change to the RBI Guidelines requiring the Bank to cancel interest payments in other or additional circumstances could be complied with by the Bank through its general discretion to cancel interest payments under Condition 6.7.

In addition, if the Bank's total Common Equity Tier 1 capital does not exceed the amount required to fulfil its capital buffer requirement (including the capital conservation buffer and any countercyclical capital buffer and D-SIBs buffer), the Bank will be required to conserve a percentage of its earnings (including through cancellation of interest payments on Tier 1 capital instruments such as the Additional Tier 1 Notes) in accordance with the following table:

**Minimum capital conservation standards for individual bank<sup>(1)</sup>**

Common Equity Tier 1 Ratio after including the current periods retained earnings				Minimum Capital Conservation Ratios <sup>(2)</sup>
As of March 31, 2016	As of March 31, 2017	As of March 31, 2018	As of March 31, 2019	
5.50% – 5.65625%	5.50% – 5.8125%	5.50% – 5.96875%	5.50% – 6.125%	100.00%
>5.65625% – 5.8125%	>5.8125% – 6.125%	>5.96875% – 6.4375%	>6.125% – 6.75%	80.00%
>5.8125% – 5.96875%	>6.125% – 6.4375%	>6.4375% – 6.90625%	>6.75% – 7.375%	60.00%
>5.96875% – 6.125%	>6.4375% – 6.75%	>6.90625% – 7.375%	>7.375% – 8.00%	40.00%
>6.125%	>6.75%	>7.375%	>8.00%	0.00%



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*Notes:*

- (1) These exclude D-SIBs. The applicable ratio on the Bank is 0.15%, as of March 31, 2016, and will be increased by 0.15% per annum to 0.60% as of March 31, 2019.
- (2) Expressed as a percentage of earnings.

Any actual or anticipated cancellation of interest on the Additional Tier 1 Notes will likely have an adverse effect on the market price of Additional Tier 1 Notes. In addition, as a result of the interest cancellation provisions of the Additional Tier 1 Notes, the market price of the Additional Tier 1 Notes may be more volatile than the market prices of other debt securities on which interest accrues that are not subject to such cancellation and may be more sensitive generally to adverse changes in the Bank's financial condition.

***The Additional Tier 1 Notes have no fixed maturity date and investors have no right to call for redemption of the Additional Tier 1 Notes.***

The Additional Tier 1 Notes are perpetual unless the Bank elects to redeem the Additional Tier 1 Notes to the extent allowed by the Terms and Conditions of the Notes, the applicable pricing supplement and the applicable RBI Guidelines. Accordingly, the Additional Tier 1 Notes have no fixed final redemption date. In addition, holders of the Additional Tier 1 Notes have no right to call for the redemption of the Additional Tier 1 Notes. Although the Bank may redeem the Additional Tier 1 Notes at its option on the Optional Redemption Date or at any time following the occurrence of certain tax and regulatory events, there are limitations on redemption of the Additional Tier 1 Notes, including obtaining the prior written approval of the RBI and satisfaction of any conditions that the RBI and other relevant Indian authorities may impose at the time of such approval. During any period when the Bank may elect to redeem or vary the terms of the Additional Tier 1 Notes, the market value of the Additional Tier 1 Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. As such, the optional redemption feature that the Bank has upon the occurrence of certain tax and regulatory events prior to the first Optional Redemption Date may result in the Additional Tier 1 Notes not being redeemed at their market value.

There is no assurance that the holders of the Additional Tier 1 Notes will be able to reinvest the amount received upon redemption at a rate that will provide the same rate of return as their investment in the Additional Tier 1 Notes. During any period when the Bank may redeem the Additional Tier 1 Notes, the market value of the Additional Tier 1 Notes generally will not rise substantially above the Early Redemption Amount (as defined in the Conditions) payable. Potential investors should consider re-investment risk in light of other investments available at that time.

***Investors will have limited rights under the Additional Tier 1 Notes.***

Holders of the Additional Tier 1 Notes will not be entitled to receive notice of, or attend or vote at, any meeting of shareholders of the Bank or participate in the management of the Bank, except in limited circumstances (including certain instances of failure by the Bank to make payments of amounts due in relation to the Additional Tier 1 Notes). In the event of a default in payment on the Additional Tier 1 Notes, investors will have no right to accelerate payments on the Additional Tier 1 Notes, except if a court order is made or an effective resolution is passed for the winding up of the Bank.

***Future discontinuance of LIBOR may adversely affect the value of Floating Rate Notes which reference LIBOR***

On 27 July 2017, the Chief Executive of the FCA, which regulates LIBOR, announced that it does not intend to continue to persuade, or use its powers to compel, panel banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. The announcement indicates that



the continuation of LIBOR on the current basis is not guaranteed after 2021. It is not possible to predict whether, and to what extent, panel banks will continue to provide LIBOR submissions to the administrator of LIBOR going forwards. This may cause LIBOR to perform differently than it did in the past and may have other consequences that cannot be predicted.

Investors should be aware that, if LIBOR were discontinued or otherwise unavailable, the rate of interest on Floating Rate Notes which reference LIBOR will be determined for the relevant period by the fall-back provisions applicable to such Notes. Depending on the manner in which the LIBOR rate is to be determined under the Terms and Conditions, this may in certain circumstances (i) be reliant upon the provision by reference banks of offered quotations for the LIBOR rate which, depending on market circumstances, may not be available at the relevant time or (ii) result in the effective application of a fixed rate based on the rate which applied in the previous period when LIBOR was available. Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, any Floating Rate Notes which reference LIBOR.

## DESCRIPTION OF THE BANK

### Overview

The Bank is India's largest bank, with 24,139 branches in India, 206 international offices in 35 countries and more than 402 million customer accounts as of June 30, 2017. The Bank also had deposits, advances and a total assets base of Rs.26,025.34 billion, Rs.18,042.19 billion and Rs.31,935.56 billion, respectively, as of June 30, 2017 and of Rs.20,447.51 billion, Rs.15,710.78 billion and Rs.27,059.66 billion, respectively, as of March 31, 2017, the largest by each measure among banking institutions in India. As of June 30, 2016 and 2017, the Bank's market share of aggregate deposits was 17.26% and 23.26%, respectively, and the Bank's market share of domestic advances was 16.13% and 21.09%, respectively, among all RBI-scheduled commercial banks in India, based on the RBI data. As of June 30, 2017, the Bank's market capitalization was approximately Rs.2,362.16 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 Banking Group* provides corporate banking services to many of India's largest and most prominent corporations and institutions, including state-owned enterprises. The Corporate Banking Group caters to customers with annual turnover of over Rs.5.0 billion.
- The *Mid-Corporate Group* services entities with an annual turnover between approximately Rs.500 million and Rs.5 billion or which have credit facilities in excess of Rs.100 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 Banking Group or the Mid-Corporate 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.
- *Global Markets* 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 Management 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 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 Bank is the largest constituent part of the Group in terms of total assets and net profit, representing 95.77%, 78.54%, 76.27% and 76.04% of the consolidated Group's total assets as of June 30, 2017, and as of March 31, 2017, 2016 and 2015, respectively, and 66.15%, 4,346.10%, 241.0% and 81.4% of the consolidated Group's net profit for the three months ended June 30, 2017, and for the years ended March 31, 2017, 2016 and 2015, respectively. The Group includes the Bank, its Associate Banks, which operate in India, and its subsidiaries and joint ventures, operating both within India and outside India. The Associate Banks had a domestic network of approximately 6,847 branches as of April 1, 2017, with strong regional ties. The Bank also conducts operations outside India, both through branches operated by its International Banking Group and through subsidiaries, associates, joint ventures and investments outside India.

As of March 31, 2015, the Group's consolidated deposits, advances and total assets were Rs.20,529.6 billion, Rs.16,922.1 billion and Rs.27,001.1 billion, respectively. As of March 31, 2016, the Group's consolidated deposits, advances and total assets were Rs.22,538.6 billion, Rs.18,702.6 billion and Rs.30,734.83 billion, respectively. As March 31, 2017, the Group's consolidated deposits, advances and total assets were Rs.25,998.11 billion, Rs.18,968.87 billion and Rs.34,451.22 billion, respectively.

As of June 30, 2017, the Group's consolidated deposits, advances and total assets were Rs.26,184.64 billion, Rs.18,347.00 billion and Rs.33,347.13 billion, respectively.

For fiscal year 2017, the Group's consolidated net profit amounted to Rs.2.41 billion, a decrease of Rs.119.84 billion, or 98.03%, from Rs.122.3 billion for fiscal year 2016, which in turn was a decrease of Rs.47.7 billion, or 28.07%, from Rs.169.9 billion for fiscal year 2015.

For the three months ended June 30, 2017, the Group's consolidated net profit amounted to Rs.30.32 billion.

As of June 30, 2017, the Bank's unconsolidated deposits, advances and total assets were Rs.26,025.34 billion, Rs.18,042.19 billion and Rs.31,935.56 billion, respectively. As of March 31, 2017, the Bank's unconsolidated deposits, advances and total assets were Rs.20,447.51 billion, Rs.15,710.78 billion and Rs.27,059.66 billion, respectively. As of March 31, 2016, the Bank's unconsolidated deposits, advances and total assets were Rs.17,307.2 billion, Rs.14,637.0 billion and Rs.23,576.18 billion, respectively. As of March 31, 2015, the Bank's unconsolidated deposits, advances and total assets were Rs.15,767.9 billion, Rs.13,000.3 billion and Rs.20,480.8 billion, respectively.

For the three months ended June 30, 2017, the Bank's unconsolidated net profit amounted to Rs.20.06 billion, a decrease of Rs.5.15 billion, or 20.45%, from Rs.25.21 billion for the three months ended June 30, 2016. For fiscal year 2017, the Bank's unconsolidated net profit amounted to Rs.104.84 billion, an increase of Rs.5.33 billion, or 5.36%, from Rs.99.51 billion for fiscal year 2016, which in turn was a decrease of Rs.31.49 billion, or 24.03%, from Rs.131.0 billion for fiscal year 2015.

The Bank paid a dividend of Rs.20.7 billion, Rs.20.2 billion and Rs.26.5 billion for the years ended March 31, 2017, 2016 and 2015, 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 with the RBI holding 92% 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, it 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 24,139 branches in India, 206 international offices in 35 countries and more than 402 million customer accounts as of June 30, 2017. As of the date of this Offering Circular, 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 PSL 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 — The State Bank of India Act, 1955.*" In fiscal year 1994, in compliance with regulatory reforms, the Bank completed a public offering. The Government owns 57.07% of the Bank's share capital as of the date of this Offering Circular as a result of a preferential allotment of equity shares of Rs.79.0 billion, Rs.30.0 billion, Rs.20.0 billion, Rs.29.7 billion and Rs.53.93 billion (including premium), which occurred on March 30, 2012, March 20, 2013, January 2, 2014, April 1, 2015 and September 30, 2015, respectively. The rest is held by institutions (including foreign institutions) and individual investors. The RBI's holding was transferred to the Government in June 2007.

As of January 20, 2017, the Bank had made a preferential allotment of Rs.56.81 billion of equity shares to the Government and as of June 12, 2017 the Bank made a qualified institutional placement of Rs.150 billion.

### **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 Circular, the Government owns 57.07% of the Bank, which enables the Bank to enjoy certain support from the Government. 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.53.93 billion and Rs.56.81 billion, respectively, through the preferential allotment of equity shares. On June 12, 2017, the Bank offered equity shares to Qualified Institutional Investor amounting to Rs.150 billion to QIBs. 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 three months ended June 30, 2017, and for the years ended March 31, 2017, 2016 and 2015, the Government's business turnover was Rs.13,313.56 billion, Rs.45,520.54 billion, Rs.40,066.60 billion, and Rs.35,815.6 billion, respectively. For the three months ended June 30, 2017, and for the years ended March 31, 2017, 2016 and 2015, the Bank earned commissions from Government transactions of Rs.7.81 billion, Rs.24.83 billion, Rs.23.71 billion and Rs.19.5 billion, respectively, or 9.76%, 7.00%, 8.52% and 11.1%, respectively, of the Bank's other (non-interest) income. As of the date of this Offering Circular, the Bank's market share of Government business is approximately 58% and includes such transactions as handling payment and receipts for both the Government and state governments.

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 March 31, 2017, the total net advances to PSEs in India were Rs.1,318.84 billion.

The Bank is one of a select few banks in India with a mandate from the Pension Fund Regulatory and Development Authority to hold pension funds for the benefit of Government employees. See "*The Indian Financial Sector — Pension Reforms*" for a description of pension schemes in India.

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

With over 62 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 24,139 branches in India, 206 international offices in 35 countries and more than 402 million customer accounts as of June 30, 2017. The Bank also has the largest ATM network in India with 59,291 ATMs as of June 30, 2017. The Bank also had deposits, advances and a total assets base of Rs.20,447.51 billion, Rs.15,710.78 billion and Rs.27,059.66 billion respectively, as of March 31, 2017, 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. 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, allowing it to further grow all areas of its business. 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 transformed its operating architecture through 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 to improve customer service and redesigned all 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 has enabled 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.26,025.34 billion, Rs.20,447.51 billion, Rs.17,307 billion and Rs.15,768 billion as of June 30, 2017, and as of March 31, 2017, 2016 and 2015, respectively, representing a market share of 23.26%, 18.13%, 16.37% and 17.0%, respectively, 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 June 30, 2017, and as of March 31, 2017, 2016 and 2015 standing at 44.38%, 45.58%, 43.8% and 42.9% respectively. For the three months ended June 30, 2017, the Bank’s average cost of domestic deposits was 5.54%, which was a decrease of 44 basis point compared to the three months ended June 30, 2016.

### ***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 “*Description of Assets and Liability Management of the Issuer.*”

### ***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 2.36%, 2.84%, 2.96% and 3.16% for the three months ended June 30, 2017, and for the years ended March 31, 2017, 2016 and 2015, 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 Bank’s unconsolidated Tier I capital adequacy ratio was 10.67%, 10.35%, 9.92% and 9.60% as of June 30, 2017, and as of March 31, 2017, 2016 and 2015, respectively, mainly due to the Government injecting approximately Rs.20.0 billion, Rs.29.7 billion and Rs.53.93 billion (including premiums), which occurred on January 2, 2014, April 1, 2015 and September 30, 2015, respectively through a preferential allotment of equity shares, capital raising through a QIP of equity shares of Rs.80.32 billion (including premiums) which occurred on February 3, 2014 and issuance of AT1 bonds for an amount of Rs.71.00 billion and U.S.\$0.3 billion during fiscal 2017, and Tier II capital raising through a bond issue of Rs.20.0 billion which occurred on January 2, 2014. On January 20, 2017 the government injected Rs.56.81 billion through a preferential allotment of equity shares. On June 12, 2017 the Bank offered equity shares to Qualified Institutional Investors amounting to Rs.150 billion. Also, the Bank raised Rs.40 billion of



Tier II bonds on December 23, 2015. The Bank's capital position, as measured by its unconsolidated overall and Tier I capital adequacy ratios was 10.67%, as of June 30, 2017 (which are higher than mandatory levels) and 10.35% as of March 31, 2017 (which is again higher than mandatory levels) allows it to take advantage of growth opportunities in the market.

### ***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 strengths 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 which 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 plan 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 corporate entities and government departments to provide financing 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. The Bank plans to have 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 manpower 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 leverage 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. The Bank also plans to continue investing in payment systems to make them more robust and efficient, thereby improving customer service and enhancing its product offerings. See “— *Information Technology Systems and Infrastructure — IT-based products and services.*”

### ***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 is establishing a board-level committee to develop a plan to improve the Bank’s culture of compliance with internal procedures, including giving full play to 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 which helps in their development, offering a variety of placement choices, including overseas posts and offering expeditious promotion opportunities to meritorious candidates as part of the Bank’s growth plan and business needs. The Bank also plans to focus on the recruitment and cultivation of a high-quality and professional workforce, and provide training and development programs for the Bank’s employees to enhance their professional knowledge and capabilities. 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. In addition, the Bank has already 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 the ecosystem in a timely manner. The Bank deployed specialized officials like 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. Action under SARFAESI Act is taken promptly to recover the dues by sale of secured assets. More frequent auctions are held under SARFAESI Act. 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 Banking Group* provides corporate banking services to many of an India's largest and most prominent corporations and institutions, including state-owned enterprises. The Corporate Banking Group caters to customers with annual income of over Rs.5.0 billion.
- 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 Banking Group or the Mid-Corporate Group. The National Banking Group also provides financial services to the Government and state governments.
- The *Mid-Corporate Group* services entities with an annual turnover between approximately Rs.500.0 million and Rs.5.0 billion or which have credit facilities in excess of Rs.100.0 million.
- 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, NRIs in international markets as well as the local population in such jurisdictions.
- The *Global Markets Group* operates the Bank's domestic treasury functions, managing domestic liquidity, its investment portfolio and foreign currency exposure, while also engaging in proprietary trading of currencies. The Global Markets Group also enters into foreign exchange and risk hedging derivative products on behalf of the Bank's customers.
- The *Stressed Assets Management 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, which are 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 Mid-Corporate Group (who also serve the Corporate Banking 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 Banking Group***

The Corporate Banking 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 products, fee- and commission-based products and services, deposits, foreign exchange services and derivatives. The Corporate Banking Group's customers span the range from clients with annual income of over Rs.5.0 billion (fund or non-fund based income) to the largest corporations in India. 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 June 30, 2017, and as of March 31, 2017, 2016 and 2015, the loan portfolio comprising large corporate loans was Rs.3,720.51 billion, Rs.3,386.06 billion, Rs.3,290.2 billion and Rs.2,717.8 billion, respectively.

The Corporate Banking Group endeavors to go beyond traditional lending products by exploring new growth areas such as cash management, offering centralized payment solutions and marketing derivatives products by taking advantage of the volatility in the currency markets and the consequent need by corporations to hedge their balance sheet risks. Relationship managers facilitate the cross-selling of products from the Bank's other Groups and subsidiaries, such as personal banking services for the corporation's management and employees, co-branded credit cards, supply chain finance, general insurance, gratuity and provident fund and other terminal benefits management from SBI Life Insurance Company ("**SBI Life**") and the International Banking Group's export finance services.

The Corporate Banking Group comprises three strategic business groups — Corporate Accounts, Project Finance and Leasing and Financial Institution Business Unit ("**FIBU**"). The Corporate Accounts group services large Indian corporations. The Project Finance and Leasing group appraises and provides specialist support to all high-value projects (with project costs exceeding Rs.2.0 billion) in which the Bank is involved, while FIBU specifically targets servicing the businesses of financial institutions.

### ***Corporate Accounts***

The Corporate Accounts group focuses on the Bank's prime corporate customers across India. Through its customer relationship management approach, where each client is assigned a dedicated accounts management team, headed by a relationship manager to coordinate its banking relationship with the Bank, the Corporate Accounts group aims to leverage its strong corporate relationships and increase the Bank's market share in fund-based, non-fund-based and fee-based products. Services are delivered through eight branches dedicated exclusively to Corporate Accounts group customers in Delhi, Mumbai, Chennai, Kolkata, Ahmedabad and Hyderabad. The Bank also believes that separate marketing and customer service departments are necessary in order to adequately meet the demands of this customer base.

Within the Corporate Accounts group, an institutional accounts unit focuses exclusively on institutional accounts such as mutual funds, insurance companies, other institutions and government departments, leveraging such relationships to maximize fee and commission income. The Bank believes that banking services in the form of payment and collection solutions and liquidity management have become critical requirements of such customers, who will continue to be a significant driver of both interest and fee- and commission-based income.

Products offered to Corporate Accounts group customers include loan products, deposits, fee- and commission-based products and services, and a broad range of foreign exchange and treasury services, including RBI-permitted derivatives, which are developed and provided by the International Banking Group and Global Markets Group, respectively.

The Bank provides a corporate internet banking facility, with multi-level access and authorization controls required by corporate customers. Other delivery channels utilized by the Corporate Accounts group include the Bank's extensive branch network, credit cards, and electronic payments platforms.

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 June 30, 2017, total outstanding loans to customers of the Corporate Accounts group were Rs.3,720.51 billion in respect of fund-based products and Rs.1,909.79 billion in respect of non-fund based products.

The Bank handles bulk business for all Corporate Accounts group customers across India by way of dividend warrant payments for companies, as well as bulk electronic salary payments of large corporations, public sector undertakings ("PSUs") and government departments. These activities are all processed through the Bank's own computerized network and also through the electronic payment gateways of the RBI. Additionally, the Bank handles bulk draft issuances for customers across the country. The Bank also acts as a refund bank for the Government tax authorities and is the exclusive refund bank in respect of income taxes. It collects excise and custom duties and sales tax on behalf of Government and state government departments. These activities all contribute to the Bank's fee-based income.

#### *Project Finance and Leasing*

The Project Finance and Leasing 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, although it has also expanded other sectors, such as steel, and other industrial sectors, such as commercial real estate. The project finance ("PF") team examines projects with project cost/exposure level as follows: road projects with minimum project cost of Rs.1.5 billion for proposals other than under area of PF cell. In the case of power projects, the project cost level is as follows: project cost of above Rs.15.0 billion for projects under areas of PF cells and minimum project cost of Rs.1.5 billion for projects not in the area of PF cells.

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.15.0 billion, other infrastructure projects with project cost minimum of Rs.0.75 billion up to Rs.5.0 billion, non-infrastructure and commercial projects with project cost minimum of Rs.1.50 billion and up to Rs.10.0 billion. The Corporate Banking Group, National Banking Group and Mid-Corporate 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 underlying project cost of Rs.5 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 Bank commenced its financial leasing activity in August 1995. The leasing industry in India gradually deteriorated due to ambiguity in the interpretation of relevant tax laws on the disallowance of underlying tax depreciation benefits and the withdrawal of its off-balance sheet treatment. The imposition of sales tax by various state governments and the imposition of service tax in July 2001 also made leasing activities more costly than other conventional financing options. As a result, the Bank has stopped writing new leases since fiscal year 2001 and the leasing activities have been progressively wound up.

#### *Financial Institution Business Unit*

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

FIBU also aims to gain a larger share in the capital markets related business. Capital Market Branch (“CMB”) at Mumbai under FIBU is a specialized branch catering to this segment. CMB is a settlement bank of nine major exchanges and The Clearing Corporation of India Limited, and is well equipped to meet the settlement banking and transaction banking requirements of the market participants and the intermediaries. It also acts as bankers to an issue and refund banker. In fiscal year 2016, the Bank was awarded the following by BSE:

- (i) one of the top three performers in the primary market segment (debt public issue Bids-Banks);
- (ii) one of the top three performers in the primary market segment (Equity-IPO/FPO Bids-Banks); and
- (iii) one of the top three performers in the currency derivatives segment (Banks).

Subsequent to the re-organization of the Bank’s transaction banking operations, the following changes have been effected recently within the Transaction Banking Unit (“TBU”):

- (i) seven departments have been created, namely the TB-Sales CAG, TB Sales — MCG, TB Sales-NBG, TB Sales-Other Institution, L&TP, TBU Product Development & TBU Operations; and
- (ii) the Control of Capital Market Branch, Mumbai has been shifted to Mumbai Circle, with effect from June 1, 2016.



### *Other Corporate Banking Services*

The Bank also offers loan syndication, corporate cash management, trade finance and funds transfer and settlement services to Corporate Banking 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. 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." Customers can use approximately 1,990 branches at 838 centers throughout India, with pooling facilities at various branches as of July 31, 2017. 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 email. 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.

As of June 30, 2017, 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 Banking 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.

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 conducting trade finance activities. CS Eximbills 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 (eTradeSBI) has a facility for customers to access relevant services over the internet.

CS Eximbills has been integrated with the 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 June 30, 2016, 1,747 branches (including the Trade Finance Central Processing Center) are enabled for 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. In addition, NEFT is offered through the Bank’s mobile banking services. 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 decreased by 16.82% in fiscal year 2017 compared to that in fiscal year 2016 and increased by 44.88% during the three months ended June 30, 2017, compared to during the three months ended June 30, 2016. During the three months ended June 30, 2017, there were 72.01 million NEFT fund transfers compared with 497.1 million during the three months ended June 30, 2016. The Bank has established itself as the market leader in NEFT, with a market share of 20.55% as of June 30, 2017 according to the RBI, and with respect to RTGS, the Bank holds a market share of 13.63% as of June 30, 2017 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 Banking Group or the Mid-Corporate Group, and banking services to the Government and state governments. Corporate banking products and services offered by the National Banking Group are largely the same as those offered by the Corporate Banking 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 24,139 branch network as of June 30, 2017.

## Personal Banking

The Bank has one of the largest branch and ATM networks in India, which, as of June 30, 2017, totalled 24,139 branches, of which 8,901 were in urban and metropolitan areas and 15,238 of which were in rural and semi-urban areas. The number of branches has grown significantly. The total numbers of branches as of June 30, 2017, and as of March 31, 2017, 2016, 2015, were 24,139, 17,170, 16,784 and 16,333, respectively. The Bank's ATM network as of June 30, 2017, and as of March 31, 2017, 2016 and 2015, totaled 59,291, 59,263, 59,011 and 54,560 respectively. Together with its Associate Banks, 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.

Specific customer segments receiving focused attention of the Bank include high net worth and affluent and salaried clients. In addition, the Bank opened "SBI Intouch" and "SBI Intouch Lite" branches to attract young and tech-savvy customers. The Bank has also made a concerted effort to broaden its client base of employees by offering a special corporate salary package that consists 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 as of June 30, 2017 was approximately Rs.18,497.17 billion, of which CASA constituted 45.09% (Rs.8,335.30 billion).

The Bank's retail lending products include home, auto, education and personal loans; the Bank's retail loan portfolio was equal to approximately 25.97% of the Bank's total advances as of June 30, 2017. According to RBI data, the Bank had a 32.87% share of the home loan market, a 34.66% share of the retail auto loan market, and a 30.03% share of the education loan market (as measured by amounts outstanding) among scheduled commercial banks in India as of June 30, 2017.

- *Home Loans.* The Bank is the leading provider of home loans within India, in terms of aggregate amount outstanding during fiscal year 2017. As of June 30, 2017, home loans constituted approximately 57.82% of the personal banking loan portfolio of the Bank by total amounts outstanding. In addition to home loans for the purpose of construction, purchase and repair of personal residences, the Bank has also introduced more sophisticated products such as reverse mortgages and home equity loans. The Bank's home loans outstanding for fiscal years 2017, 2016 and 2015 and for the three months ended June 30, 2017 were Rs.2,226.05 billion, Rs.1,905.5 billion and Rs.1,592.4 billion and Rs.2,833.31 billion, respectively.
- *Auto Loans:* These 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. Some of the core products offered are *SBI Car Loan Scheme, NRI Car Loan Scheme, Loyalty Car Loan Scheme, Used Car Loan Scheme, Certified Pre-owned Car Loan Scheme, Super Bike Scheme* and *Two-wheeler Scheme*. The retail auto loans portfolio contributes approximately 12.14% of the total retail personal loan portfolio (excluding home loans) of the Bank as of June 30, 2017. The Bank has 34.66%

market share, as of June 30, 2017 on sectoral deployment of bank credit. The Bank's retail auto loans outstanding for the three months ended June 30, 2017, and for fiscal years 2017, 2016 and 2015 were Rs.594.84 billion, Rs.467.36 billion, Rs.385.5 billion and Rs.321.5 billion, respectively.

- **Education Loans:** In India, the Bank is the largest provider of education loans among all scheduled commercial banks as of June 2017, according to the All Scheduled Commercial Banks bulletin published in June, 2017 by the RBI. Education loans include targeted products such as *SBI Scholar Loans*, which include loans to students securing admissions in 131 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 million. The SBI Slobal Ed-vantage scheme is targeted at students going abroad for higher studies, with loan limits up to Rs.15 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 *Xpress Credit*, *SBI Pension Loans*, *Loans Against Deposits* and gold loan. 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 for the last three fiscal years:

	As of March 31,			As of June 30
	2015	2016	2017	2017
	(Rs. in billion)			
Auto Loans . . . . .	321.5	385.5	467.4	594.8
Education Loans . . . . .	154.6	151.8	157.6	208.8
Personal Loans . . . . .	655.8	828.0	1,111.43	1,263.13

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. The relationship managers ensure that the banking requirements of the customers are carried out efficiently and smoothly.

### ***NRI Banking Business***

The Bank is a global Indian bank, with 206 foreign offices in 35 countries, covering all major time zones. The Bank has 97 dedicated NRI branches in India, has correspondent banking relations with over 300 global banks and ties up with 30 exchange houses and seven banks across the middle east so that NRIs can enjoy "anywhere — anytime" banking facilities.

The facilities offered to NRIs range from providing services in relation to 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 June 30, 2017 was Rs.1,892.80 billion with a market share of 24.81%.

## *Delivery Channels*

The Bank is committed to bringing convenience and technology to its customers. In accordance with this goal, delivery channels available to the Bank's personal banking customers include:

### *ATM Cards*

The Bank has the largest ATM network in India as of June 30, 2017. The Bank operates a network of 51,095 ATMs and also has 8,196 cash deposit machines and recycler ATMs as of June 30, 2017, which represents approximately 28.44% of the total number of ATMs in India. The Bank opened 1,471 ATMs in fiscal year 2017, and an additional 1,850 ATMs in the three months ended June 30, 2017. The Bank also had 8,196 cash deposit machines as of June 30, 2017.

The Bank has issued more than 0.36 billion ATM cards as of June 30, 2017. The Bank's ATMs transacted Rs.7,534.6 billion, Rs.8,134.7 billion, Rs.7,202.7 billion and Rs.2,740.9 billion of cash withdrawals in fiscal years 2017, 2016 and 2015 and in the three months ended June 30, 2017, respectively. On average, over 10 million transactions per day are routed through the Bank's ATM network as of June 30, 2017. The Bank's ATM network is one of the busiest in India with an average usage rate of approximately 184 transactions per day per ATM as of June 30, 2017.

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*

As of June 30, 2017, the Bank had established its merchant acquiring business to enable the bank to realize the credit and debit card market's significant potential and had deployed 605,535 point-of-sale ("POS") terminals. 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 Pvt. Ltd. and ATOS through cards at retail outlets. The number of terminals installed has increased from 10,673 in March 2012 to 65,514 in March 2013 to 135,853 in March 2014 to 200,878 in March 2015 to 302,119 in March 2016 to 509,113 in March 2017 and to 605,535 in June 2017 (including 46,474 POS terminals of erstwhile associate banks which merged with the Bank on April 1, 2017). The number of transactions has increased from over 1.0 million for fiscal year 2012 to over 9.0 million for fiscal year 2013 to 27.84 million for fiscal year 2014 to 56.54 million for fiscal year 2015 to 88.2 million for fiscal year 2016 to 61.32 million for fiscal year 2017, and to 107.71 million for the three months ended June 30, 2017. The volume of transactions increased from Rs.2,053.0 million for fiscal year 2012 to approximately Rs.24,845.0 million for fiscal year 2013 to approximately Rs.75,799.5 million for fiscal year 2014 to approximately Rs.143,829.9 million for fiscal year 2015 to approximately Rs. 229,333.0 million for fiscal year 2016 to approximately Rs.589,648.8 million for fiscal year 2017, and to approximately Rs.246,797.0 million for the three months ended June 30, 2017. The Bank intends to deploy an additional 300,000 terminals over the next three years.

### *Credit Cards*

The Bank operates its credit card business through its subsidiary, SBI Cards & Payment Services Private Limited ("SBICPSL"). SBICPSL is a joint venture between the Bank and GE Capital Corporation, whereby the Bank holds a 60.0% stake. SBICPSL has the third-largest credit card base in the industry in terms of credit cards issued in India, as of March 31, 2017, based

on an industry report published by the RBI. As of June 30, 2017, SBICPSL has issued 4.9 million cards. SBICPSL posted a net profit of Rs.1.32 billion for the three months ended June 30, 2017. In terms of customer spending, SBICPSL has an approximate 15.6% market share of the total credit card spending in India as of June 30, 2017.

#### *Debit Cards*

The Bank continues to lead debit card issuance in India with over 262 million debit cards issued as of June 30, 2017, with a market share in India of approximately 32.97% according to the RBI. The Bank is the largest debit card issuer in India. For fiscal year 2017, the Bank recorded an annual growth rate of approximately 131.83% in debit card spending over point-of-sale and e-commerce. Debit card spending over point of sale and e-commerce was approximately Rs.966.29 billion in fiscal year 2017 and Rs.349.02 billion for the three months ended June 30, 2017.

The Bank has been actively promoting debit card usage through its various strategic 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 travellers. The Bank has introduced corporate variants of State Bank Foreign Travel Cards ("SBFTC") to cater to varying needs of Corporate customers. Sales from SBFTC during fiscal year 2017 and for the three months ended June 30, 2017 were U.S.\$162.16 million and U.S.\$38.77 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 2017 and for the three months ended June 30, 2017, were Rs.3,496.94 million and Rs.1,355.40 million, respectively.

State Bank Smart Payout Card, a variant of prepaid card with loadable and reloadable limit of Rs.10,000 and a monthly limit of Rs.25,000 was launched in April 2013, which can be issued to the dependents of primary account holders for supporting their required expenses and also for the blue collar workers of listed and non-listed corporates and companies not having the proper KYC documents for their wages, salaries and incentive payments. Sales from State Bank Smart Payout Cards during fiscal year 2017 and for the three months ended June 30, 2017, were Rs.1,520.49 million and Rs.558.03 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 during fiscal year 2013 the Achiever Card which is a re-loadable corporate incentive card with a validity of 10 years for payments of incentives and awards. Sales from State Bank Gift Cards during fiscal year 2017 and during the three months ended June 30, 2017, were Rs.1,009.62 million and Rs.141.31 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 — IT-Based Products and Services.*”

## *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 6,056 as of March 31, 2014, to 6,254 as of March 31, 2015, to 6,296 as of March 31, 2016, to 8,130 as of March 31, 2017 and to 8,162 as of June 30, 2017. 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 June 30, 2017, the Bank had engaged over 58,701 customer service points of business correspondents in rural areas.

In line with *Pradhan Mantri Jan Dhan Yojana* (“**PMJDY**”), India's national mission for financial inclusion to ensure access in an affordable manner, the Bank, through its IT capabilities, has opened 102.2 million accounts between September 30, 2014 and June 30, 2017 and has issued a total of 69.9 million RuPay debit cards to eligible customers. The Bank is committed to serving the 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 and to 138.4 million as of June 30, 2017. The value of transactions handled through the Bank's Business Correspondent increased by 49.38% 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. As of June 30, 2017, Rs.290.6 billion worth of transactions were handled through the Bank's Business Correspondent model. The Bank plans to increase revenue from its Business Correspondent model through the buildup of deposits and loans and advances.

The Bank has actively participated in self-help groups (“**SHG**”), a bank credit linkage program, since its founding in 1992 by the Government. As of June 30, 2017, the Bank is the market leader in SHG financing with a credit deployment of Rs.89.94 billion to 0.51 million 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, payments. The Bank is the sole sponsor bank for the DBTL subsidy and has handled over 2,784.7 million DBTL transactions between November 15, 2014 and June 30, 2017.

Although the accounts acquired through the Bank's financial inclusion program are typically of limited 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 and continues to play an important role in the development of Indian agriculture. The Bank had 428 agriculture development branches as of June 30, 2017, 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, digging of wells, tube wells and irrigation projects, 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 them to offer more customized products to their clients. Initiatives aimed at strengthening ties with the farming community include attending farmers' meeting and events as well as a village adoption program, whereby each region, encompassing 40 to 45 branches, adopts one to five villages in order to build banking relationships there and to support integrated development of the village. Recent initiatives include establishing agri-commercial branches that cater to high-value agricultural projects, with 14 branches established as of June 30, 2017, establishing 1,426 "SBI kaapnagaon" centers (pursuant to the Bank's village adoption scheme for financial inclusion), conducting 18,827 credit and recovery camps and setting up approximately 10,719 farmers' clubs as of June 30, 2017.

Some of the other initiatives taken by the Bank include providing a collateral free production loan 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% more than the amount fixed by state level bankers' committees or district level technical committees, and the recruitment of specialized junior assistant associates to improve the agricultural banking skills of the staff.

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 June 30, 2017 stood at 9.51% 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 amicably. Under the LSA Act, 1987, the award made by the LokAdalats 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.2,189.51 billion as of June

30, 2017, equal to 24% 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, 2017, 2016 and 2015, the SME Business Group had loan portfolios of Rs.2,293.68 billion, Rs.1,895.4 billion and Rs.1,814.7 billion, respectively.

The Bank is the pioneer and market leader in financing SMEs, with more than 24,000 branches serving more than 1,432,000 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. Since SMEs are large in number but generally share similar needs, high customization in products is rarely needed. However, the Bank has provided relationship manager and customer relation executives to high-end SMEs, which generally require more specialized attention. 680 relationship managers provide personalized services to medium enterprises and 613 relationship managers provide personalized services to small enterprises. The Bank has focused on developing SME-intensive branches into dedicated platforms for SME lending. Relationship managers and SME cluster have been mapped to these branches for accelerated growth.

The revival of business sentiment and growth in GDP has brought the focus sharply on the growth and viability of SME units. The Government's initiatives — *Make in India*, *CGTMSE cover*, *MUDRA* — are providing a significant boost to the SME segment. The Bank is extending collateral free lending of up to Rs.20.00 million under the guarantee of Credit Guarantee Fund trust for micro and small enterprises.

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. To gain a first mover advantage in this area, the Bank has started a new project called Project Shikhar. Under this project, the Bank is working on various initiatives to pioneer ecosystem lending through partnerships with new business models. Three SME ecosystems have been identified as focus areas — e-Commerce, taxi aggregators and franchise finance.

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. The Bank also offers robust internet banking facilities to SMEs. Further, the Bank offers technical and managerial assistance to SMEs through its consultancy services cell. Other schemes offered to SME sector include (i) *SME credit card* to provide loans for micro enterprises up to Rs.1 million, to meet any kind of credit requirement including purchase of shop or furniture; (ii) *open term loan* which is a pre-approved term loan facility for both manufacturing and service sector enterprises up to Rs.25 million for capital and business development expenditure; (iii) *rice mill/dal mill plus scheme* to provide loans for acquisition of fixed assets and working capital needs for rice miller and dal millers, (iv) *SBI SMILE Scheme* to provide equity support to professionals and technically qualified entrepreneurs to set up new units; (v) *doctor plus scheme* to meet funding requirements of medical practitioners for equipment, clinic or nursing home; (vi) *School Plus Scheme* aimed at the educational institutions to provide loans to school for all purposes furniture, playground construction, science laboratories and computer laboratories; (vii) *SME Construction Equipment Loan* to provide loans for purchase of construction equipment for contractors or firms engaged in construction activity; (viii) *SBI Fleet Finance Scheme* to provide loans for purchase of new transport vehicles; (ix) *SBI Medical Equipment Finance* to provide term loans for purchase of medical equipment and funding for ancillary equipment; (x) *Stree Shakti Scheme* which is a scheme for women entrepreneurs with margin concession; and (xi) *group specific packages* to target high quality customers in a given market segment.

As of the date of this Offering Circular, the Bank has 1,248 specialized SME branches located in the areas where there is greater potential for SME activity. These branches provide focused attention for SMEs through specially trained personnel whose sole responsibility is to look after SME customers. To provide easy, quick and transparent access to banking services (including day-to-day operations), the 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.

The Bank has simplified the credit appraisal process and reduced credit delivery time through a program called SME Smart Score. This program is based in a scoring model system to simplify the approval process for loans up to Rs.5 million for manufacturing units and Rs.2.5 million for trade and services. The Bank has also developed industry, activity and cluster specific pricing matrix.

The Bank has revised its SME delivery model to strengthen its processes through the restructuring of SME center, ensuring a quality check on proposals, dedicating relationship managers to all accounts above Rs.5 million, mentoring of relationship managers by senior management executives, conducting a pre-disbursement check on mortgages and documentation and monitoring of performance.

The Bank has entered into partnerships with various industry majors for dealer financing on more favorable terms. In addition to traditional lending products, the Bank seeks to extend its reach to the suppliers and partners of large corporations through IT-based supply chain financing, including the financing of selected vendors and dealers of the Bank's corporate clients. The Bank believes this product will provide an important cross-selling opportunity, connecting customers of the Corporate Banking Group with suppliers or vendors of various sizes from the SME Group.

The Bank also offers management consultancy services to Small Scale Industries ("SSI") enterprises that plan to upgrade their technology capabilities. Through its SSI initiatives, the Bank has increased its presence in industries relating to automobile components, rice mills and other industries, among others.

#### *Government Banking*

The Bank handles government transactions as an agent of the RBI on behalf of the Government and various state governments. For fiscal year 2017, the Bank was able to retain its position as the market leader in this business segment with a market share of approximately 58% in term of handling Government payments and receipts according to the RBI. 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.

### ***Mid-Corporate Group***

The Mid-Corporate Group focuses on mid-corporate customers, which are defined by the Bank as entities availing credit facilities (fund based and non fund based) between Rs.0.5 billion and Rs.5.0 billion. The Mid-Corporate Group had a non-food domestic loan portfolio of Rs.2,722.43 billion as of June 30, 2017, equal to 16.91% of the Bank's total non-food domestic advances as of such date and including some indirect financing of the agricultural sector and allied activities. The strengths of the Mid-Corporate Group are:

- special attention provided to the overall banking requirements of mid-corporate clients through a relationship management model;
- minimized turnaround time for credit assessment and delivery;
- customized solutions to meet the financial and other banking product requirements of mid-corporate clients;
- network of 55 branches covering major industrial and business centers in India; and
- teams well versed in credit, foreign exchange, and trade finance.

Mid-sized corporate customers have been and continue to be an integral part of India's economic development. High concentrations of these customers are located in 31 centers, and are served by the Bank's extensive branch network at those centers. The Bank has 55 dedicated branches that cater exclusively to Mid-Corporate Group customers. Relationship managers provide a single point of contact for all mid-corporate customers.

The Mid-Corporate Group is developing business areas such as consortium advances to well-rated accounts, taking over selective high-value quality accounts from other banks project finance proposals and non-fund based business such as letters of credit and bills discounting, including selective concessions in high-volume/high-income accounts. The Mid-Corporate Group offers supply chain financing to leverage the Bank's customer base by offering vendor and dealer financing to link the large corporate, mid-corporate and SME customer segments served by the Bank. Customers of the Mid-Corporate Group can be either industry majors or vendors or dealers.

Relationship managers are assigned to all mid-corporate customers. These relationship managers are mandated to attract more banking business from mid-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 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 Mid-Corporate Group has 14 regional offices at 10 locations at Ahmedabad, Bangalore, Chandigarh, Chennai, Hyderabad, Indore, Kolkata, Mumbai, New Delhi and Pune. An Account Management Team ("AMT") model, with manageable number of accounts in each team, was implemented at all branches in fiscal year 2013 through a number of AMTs. In the AMT set-up, the same team of relationship manager, credit analyst and service officer manage the customer relationship both before and after the granting of a loan. Previously, the team that prepared the loan application was different to the one that serviced the loan on an ongoing basis.



In addition to the monthly review meetings, the Mid-Corporate Group has periodical structured interactions, among key functionaries of the Group, to discuss 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 Group's business growth planning and asset quality management.

The Mid-Corporate Group continues to assist customers in India to expand their business activities by helping customers to acquire assets and companies overseas and provided support for such expansion plans, including by way of providing loans to overseas subsidiaries and joint venture companies. Over the years, the Mid-Corporate Group has helped many such acquisitions by Indian companies in the United States, Europe, Australia, Africa and other countries and regions.

Mid-corporates in India have been more severely affected by the down-turn in economy, leading to deterioration in asset quality. Therefore the processes of appraisal and sanction, follow-up and supervision of the Mid-Corporate Group have been made significantly stricter. As part of this process, the responsibility of rehabilitation and restructuring of and recovery in stressed loan assets, including NPAs, has been assigned to the Deputy General Manager (Restructuring and Recovery) in the Mid-Corporate Group at the Corporate Center of the Bank in the wake of increasing stress witnessed in the Bank's portfolio.

The Bank places all high value stressed accounts and "D" rated borrowers under the special watch of general managers to reduce (or exit) from these exposures. The general managers personally interact with customers of high value stressed accounts and "D" rated borrowers and other banks (co-lenders) on a regular basis. Sales to asset reconstruction companies are examined in all eligible stressed assets including NPAs as well as special mention accounts. However, due to the asset quality exercises conducted by the RBI, retained NPAs of the Mid Corporate Group has increased from Rs.147.8 billion as of March 31, 2015 to Rs.316.3 billion as of March 31, 2016 and to Rs.470.1 billion as of March 31, 2017. The Bank's NPAs stood at Rs.1,880.7 billion as of June 30, 2017.

### ***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. As of June 30, 2017, the Bank's loan portfolio to food credit aggregated to Rs.78.02 billion in the form of loans to the Government and state governments for procurement and sale of food grains. As of June 30, 2017 and fiscal years 2017, 2016 and 2015, the exposure to PSEs stood at Rs.1,042.82 billion, Rs.1,318.84 billion, Rs.1,444.0 billion and Rs.994.4 billion, respectively. 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 June 30, 2017, the Bank had a network of 206 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 June 30, 2017, the Bank maintains correspondent relationships with 241 leading banks in 57 countries. The Bank also has 1,409 relationship management application arrangements through the SWIFT network, facilitating interbank financial telecommunications. The International Banking Group's loan portfolio was equal to approximately 15.47% of the Bank's total advances as of June 30, 2017.



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, it is expected 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 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*

The Bank's Global Link Services ("GLS") is a specialized unit that facilitates bulk foreign inward remittances, export bill payments and collections of foreign currency checks. GLS improves the efficiency of the Bank's inward remittance operations and meets the expatriates' and NRIs' remittance needs. During fiscal year 2017, GLS collected proceeds from 62,867 export bills in both U.S. dollars and Euros, as well as 54,255 foreign currency checks denominated in GBP, Euros, U.S. dollars and Canadian dollars which were worth approximately U.S.\$13.96 billion. Between April 1, 2015 to July 31, 2017 through its GLS, the Bank also received 9.88 million inward remittances of U.S.\$6 billion from various centers in the Middle East, the United Kingdom and Canada.

During fiscal year 2016, GLS collected proceeds from 21,542 export bills in both U.S. dollars and Euros, as well as 18,533 foreign currency checks denominated in GBP, Euros, U.S. dollars and Canadian dollars which were worth approximately U.S.\$4.74 billion. Between April 1, 2015 to July 31, 2016 through GLS, the Bank also received 3.26 million inward remittances of U.S.\$2.1 billion from various centers in the Middle East, the United Kingdom and Canada.

During fiscal year 2015, GLS collected proceeds from 67,577 export bills in both U.S. dollars and euros, as well as 65,619 foreign currency checks denominated in GBP, Euros, U.S. dollars and Canadian dollars which was worth approximately U.S.\$14.4 billion. In the fiscal year 2015, the Bank

also received 9.9 million inward remittances of U.S.\$6.7 billion from various centers in the Middle East, the United Kingdom and the United States. During fiscal year 2014, GLS collected proceeds from 75,177 export bills in both U.S. dollars and euros, as well as 58,248 foreign currency checks denominated in GBP, Euros, U.S. dollars and Canadian dollars' worth approximately U.S.\$13.2 billion. The Bank also received 7.9 million inward remittances in fiscal year 2014 worth U.S.\$6.1 billion from various centers in the Middle East, the United Kingdom and the United States. During fiscal year 2013, GLS collected proceeds from 104,262 export bills in both U.S. dollars and euros, as well as 74,566 foreign currency checks denominated in GBP, Euros, U.S. dollars and Canadian dollars' worth approximately U.S.\$15.3 billion. The Bank also received seven million inward remittances in fiscal year 2013 worth U.S.\$6.5 billion from various centers in the Middle East, the United Kingdom and the United States.

#### *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 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 March 31, 2017.

As of March 31, 2017						
Name	Date of Establishment	Bank's Shareholdings  (%)	Number of Branches	Total Owned Funds	Total Assets	Net Profit
					(Rs. in million)	
<i>Foreign Subsidiaries</i>						
Bank SBI (Canada) <sup>(1)</sup> . . . . .	May 5, 1982	100.0	6	6,544.27	47,266.70	180.35
SBI (California) <sup>(1)</sup> . . . . .	September 3, 1982	100.0	7	7,661.05	41,787.65	237.03
SBI (Mauritius) Ltd <sup>(1)</sup> . . . . .	October 12, 1989	96.6	14	11,523.20	71,403.09	670.55
Bank SBI Indonesia <sup>(1)</sup> . . . . .	October 24, 1970	99.0	12	5,921.97	20,918.86	78.53
Nepal SBI Bank Ltd. <sup>(1)(2)</sup> . . . . .	July 7, 1993	55.0	62	5,120.23	60,497.98	985.85
Bank SBI (Botswana) Ltd . . . . .	November 26, 2013	100.0	1	769.19	2,412.29	0.39
<i>Foreign Joint Ventures</i> . . . . .						
Bank of Bhutan Ltd . . . . .	May 28, 1968	20.0	27	5,486.63	51,385.45	956.08
CBIL Moscow . . . . .	December 5, 2003	60.0	1	2,692.96	7,348.87	344.48
TOTAL . . . . .	—	—	131	45,719.51	303,020.90	3,453.26

#### *Notes:*

- (1) Foreign currency translations of Rupee amounts have been made using following approximations of market exchange rates effective as of March 31, 2017: Canada CAD = Rs.48.5925; United States U.S.\$ = Rs.64.85; Mauritius MUR = Rs.1.8425; Indonesia IDR = Rs.48.75; Nepal NPR = Rs.62.50; and Russia RUB = Rs.1.15.
- (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% 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 objective 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 maximize 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% 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 June 30, 2017, Government securities constituted 64.34% 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.2,703.30 billion under the available-for-sale and held-for-trading categories as of June 30, 2017.

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 Mid-Corporate Group and the Corporate Banking 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 includes portfolio management services, with assets under management of Rs.4,000 billion as of June 30, 2017 that include some of India's largest superannuation funds, a type of retirement benefit scheme, and the 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 Management Group***

The Stressed Assets Management group (“**SAMG**”) headed by a deputy managing director and supported by two chief general managers and seven general managers, 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 SAMG handles the NPAs in accordance with such policies. The Group as of June 30, 2017, has approximately 1,502 employees and operates from 82 branches throughout India exclusively dedicated to the recovery or rehabilitation of NPAs referred from other business groups within the Bank.

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. SAMG 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 ineligible 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 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 Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act (the “**SARFAESI Act**”), reporting defaulting borrower as willful defaulter to credit information companies, employing account tracking centers, leveraging its technology, having special recovery teams, including in rural areas, and dedicated establishments for recovery and resolution. See “*Description of Assets and Liabilities of the Bank — Non-Performing Assets.*”

### ***Subsidiaries and Joint Ventures in India***

The Bank’s banking subsidiaries include two wholly owned and three majority owned Associate Banks. The Bank also provides financial services through its non-bank subsidiaries, including merchant banking, fund management and factoring services. In the Bank’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 Bank’s management of the Associate Banks and subsidiaries.

### ***Banking Subsidiaries***

The State Bank of Bikaner and Jaipur, the State Bank of Hyderabad, the State Bank of Mysore, the State Bank of Patiala and the State Bank of Travancore (collectively, the “**Associate Banks**”) were established under the State Bank of India (Subsidiary Banks) Act, 1959, as amended. These Associate Banks are wholly- or majority-owned subsidiaries of the Bank. The Bank exercises strategic control over each Associate Bank. The results of the Associate Banks are fully consolidated into the results of the Group. The Associate Banks operate on the same IT platform as the Bank, apply similar accounting policies and are administered by each of their respective Boards of Directors. Although there are no inter-company loans, there are customary inter-bank drawing, deposit arrangements and short-term inter-bank lending transactions between the Bank and the Associate Banks. In fiscal year 2014, the Bank infused Rs.8.47 billion in the State Bank of Patiala and the State Bank of Travancore. In fiscal year 2015, the Bank made an equity infusion of Rs.7.52 billion in the State Bank of Patiala. For the State Bank of Travancore, there was a rights issue of Rs.4.74 billion which was open until March 31, 2015 and the Bank was allotted equity shares of Rs.3.79 billion in April 2015. In fiscal 2017, on 1 April 2017, the Bank’s Associate Banks were merged with itself.

The Associate Banks had a total of 6,847 branches across India as of March 31, 2017, and collectively accounted for Rs.6,172.25 billion, Rs.6,034.5 billion and Rs.5,760.9 billion in total assets of the Bank as of March 31, 2017, 2016 and 2015, respectively.

The Associate Banks generally offer products and services similar to those offered by the Bank, although they are permitted to develop their own product lines. According to the RBI, the Bank's five Associate Banks collectively had an approximate market share of 5.22% in aggregate deposits and 5.66% in total advances of all scheduled commercial banks as of March 31, 2015, an approximate market share of 5.30% in aggregate deposits and 5.33% in advances of all scheduled commercial banks as of March 31, 2016, an approximate market share of 5.02% in aggregate deposits and 4.41% in total advances of all scheduled commercial banks as of March 31, 2017. The Associate Banks collectively had deposits of Rs.5,392.16 billion, Rs.5,091.8 billion and Rs.4,618.0 billion as of March 31, 2017, 2016 and 2015, respectively, and advances of Rs.3,247.03 billion, Rs.3,974.8 billion and Rs.3,636.7 billion, respectively, as of such dates. The Associate Banks collectively reported a net loss of Rs.118.65 billion, Rs.16.39 billion and Rs.32.0 billion for the years ended March 31, 2017, 2016 and 2015, respectively.

Gross NPAs of the Associate Banks collectively as a percentage of their gross advances were 20.17%, 5.99% and 4.37% as of March 31, 2017, 2016 and 2015, respectively. Net NPAs as a percentage of the Associate Banks' net advances were 13.00%, 3.39% and 2.59% as of March 31, 2017, 2016 and 2015, respectively.

The following table sets out the Bank's shareholding and certain financial information of the Associate Banks:

Name of the Bank	As of March 31, 2017				
	Bank's Ownership	Deposits	Advances	Operating Profit	Net Profit
	(%)	(Rs. in billions)			
State Bank of Bikaner and Jaipur.	75.07	1,036.62	687.74	19.42	(13.68)
State Bank of Hyderabad . . . . .	100.00	1,429.55	877.15	29.10	(27.60)
State Bank of Mysore . . . . .	90.00	777.69	386.08	9.14	(20.06)
State Bank of Patiala . . . . .	100.00	1,005.07	771.00	14.55	(35.79)
State Bank of Travancore . . . . .	79.09	1,143.23	525.06	15.03	(21.52)

The following table sets out certain performance highlights of the Associate Banks:

Name of the Bank	As of March 31, 2017			
	Return on Average Assets	Return on Equity	Net NPA	CRAR <sup>(1)</sup>
	(% , all figures annualized)			
State Bank of Bikaner and Jaipur . . . . .	-1.22	-21.02	10.53	9.25
State Bank of Hyderabad . . . . .	-1.55	-33.61	12.84	11.73
State Bank of Mysore . . . . .	-2.29	-77.10	16.90	12.41
State Bank of Patiala . . . . .	-2.80	-48.86	15.48	12.43
State Bank of Travancore . . . . .	-1.75	—	10.22	12.19

Note:

(1) Capital to risk asset ratio ("CRAR"), which indicates the ratio of capital employed to the risk weighted assets of the Bank and is computed in accordance with RBI guidelines.

The Common Equity Tier 1 ratio and capital adequacy ratio of the Bank, after merger with its Associate Banks, is 10.67% and 13.31%, respectively, as of June 30, 2017.

## Non-Bank Subsidiaries and Joint Ventures

In addition to its banking subsidiaries, the Bank also has a network of non-bank subsidiaries and joint ventures engaged in businesses other than commercial banking. As of March 31, 2017, 2016 and 2015, such non-bank subsidiaries and joint ventures accounted for Rs.1,250.2 billion, Rs.1,040.0 billion and Rs.903.1 billion, respectively, of the Bank's total assets. In the Bank'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 Bank's non-banking subsidiaries. For a complete list, please refer to the consolidated financial statements included in this Offering Circular.

		As of and for the year ended March 31, 2017			
Non-Banking Subsidiaries	Business	Bank's	Investment	Assets	Net Profit/ (Loss)
		Ownership <sup>(1)</sup>			
		(%)	(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	0.6	12.4	2.2
SBICAPS Securities Ltd <sup>(2)</sup> . . .	Stock brokering	100.0	1.3	2.8	0.3
SBICAPS Ventures Ltd. <sup>(2)</sup> . . .	Venture capital	100.0	0.4	0.5	(0.0)
SBICAP Trustee Co. Ltd. <sup>(2)</sup> . .	Trustee company	100.0	0	0.7	(0.1)
SBICAP (UK) Ltd. <sup>(2)</sup> . . . . .	Financial services and advisory	100.0	0.0	0.1	(0.1)
SBICAP (Singapore) Ltd. <sup>(2)</sup> . .	Financial services and advisory	100.0	0.6	0.6	(0.0)
SBI Funds Management Pvt. Ltd. <sup>(3)</sup> . . . . .	Asset management	63.8	0.2	9.8	2.2
SBI Funds (International) Ltd. <sup>(4)</sup> . . . . .	Managing off-shore funds	wholly owned by SBIFMPL	0	0.0	0
SBI Life Insurance Co. Ltd . . .	Life insurance	70.1	7.40	1,022.4	9.5
SBI DFHI Ltd . . . . .	Primary dealer trading in Government securities, trustee services	63.8	1.4	31.9	2.7
SBI Cards & Payment Services Pvt. Ltd. . . . .	Credit cards	60.0	4.7	108.3	3.9
SBI Pension Funds Pvt. Ltd . . .	Pension funds	60.0	0.2	0.4	0
SBI Global Factors Ltd . . . . .	Factoring (domestic and international) services	86.18	7.2	11.8	0
SBI-SG Global Securities Pvt. Ltd. <sup>(3)(5)</sup> . . . . .	Custody fund accounting services	65.0	0.5	1.0	0.1
SBI Payment Services Private Ltd . . . . .	Support services to Merchant Acquiring Business General insurance	100.0	0	0.0	0
SBI General Insurance Company Ltd. <sup>(3)(5)</sup> . . . . .	General Insurance	74.0	7.7	47.5	1.5
SBI Mutual Fund Trustee Co. Pvt. Ltd. . . . .	Trustee company	100.0	0	0	0

### 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%.
- (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. As of June 30, 2017, the Bank owns 70.1% of the total capital and Cardif owns 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 owns 1.95%.

As of June 30, 2017, and as of March 31, 2017, 2016 and 2015, SBI Life's assets under management were Rs.1,012.3 billion, Rs.977.4 billion, Rs.798.3 billion and Rs.713.4 billion, respectively. According to Insurance Regulatory and Development Authority data, in fiscal years 2017, 2016 and 2015, SBI Life ranked first among private life insurers in India for new premiums mobilized, with a market share of 20.0%, 17.3% and 15.9%, respectively. As of June 30, 2017, SBI Life's total market share in terms of new business annual premium equivalent was 9.1%.

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 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 three months ended June 30, 2017, and in fiscal years 2017, 2016 and 2015, approximately 53.9%, 51.3%, 50.2% and 45.6%, respectively, of SBI Life's gross written premiums were sourced through bancassurance. As a secondary distribution channel, SBI Life works with a large number of licensed advisors. As of June 30, 2017, there were 93,849 licensed advisors. For the three months ended June 30, 2017 and in fiscal years 2017, 2016 and 2015, these agency channels contributed 35.2%, 34.4%, 39.3% and 43.0%, respectively, of SBI Life's gross written premiums. SBI Life also sells its insurance products to corporate customers and others, which accounted for approximately 10.9%, 14.3%, 10.5% and 11.4% of its gross written premiums for the three months ended June 30, 2017, and in fiscal years 2017, 2016 and 2015, respectively.

The Bank's brand, business reputation and customer satisfaction are critical factors in developing new business and maintaining its leadership position. The Bank was recognized as among the Most Trusted Brands by The Economic Times Brand Equity – Nielsen survey in Fiscal 2017 for the sixth consecutive year and awarded 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 Bank was also awarded the "Legal Era Risk Award" under the category Most innovative risk management strategy by Legal Era Risk Awards, 2017, the Economic Times Best Corporate Brand, 2016 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 Bank 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 Circular, the Bank owned a 74.0% stake in SBI

General. The Bank continues to leverage its strong bancassurance channels to offer clients new general insurance products that complement SBI Life's life insurance product portfolio. As of June 30, 2017, SBI General was ranked 5th 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*

The Bank operates its credit card business through its subsidiary, SBI Cards & Payment Services Private Limited (“**SBICPSL**”). SBICPSL is a joint venture between the Bank and GE Capital Corporation, wherein the Bank holds 60.0% stake. SBICPSL has the second largest credit card base in the industry in terms of credit cards issued in India, as of March 31, 2017. SBICPSL posted a net profit Rs.1.3 billion for the three months ended June 30, 2017. In terms of customer spending, SBICPSL has an approximately 15.60% market share out of the total credit card spending in India as of June 30, 2017. As of March 31, 2017, the Bank had established its merchant acquiring business to support growth in the market. Furthermore as of March 31, 2017, the Bank had issued over 4.6 million credit cards and had approved deployment of more than 605,535 POS terminals. To promote its POS terminals and credit card usage, the Bank has also entered into strategic relationships with businesses in the retail trade and services sector.

#### *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 30 years of investment management in fiscal year 2017. SBI Funds (International) Limited, is a wholly owned subsidiary of SBI Funds.

#### *Specialized Financial Services*

The Bank believes SBI Global Factors Ltd. to be one of the leading factorial companies in India. As of the date of this Offering Circular, the Bank holds an 86.18% stake in SBI Global Factors Ltd. SBI Global Factors Ltd. registered a profit of Rs.10 million during fiscal year 2017 as compared to a profit of Rs.9 million during fiscal year 2016 and a loss of Rs.462 million during fiscal year 2015. For the three months ended June 30, 2017, SBI Global Factors Ltd. registered a loss of Rs.53.45 million as compared to a loss of Rs.117 million for the three months ended June 30, 2016.

#### *Custodial Services*

The Bank entered into a joint venture with Société Générale in 2008 for the creation of SBI Custodial Services Private Limited, which was subsequently renamed SBI-SG Global Securities Services Private Limited (“**SBI-SG Global**”). As of June 30, 2017, the Bank held a 65% 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 Bank set up a joint venture with Macquarie Group of Australia and International Finance Corporation, Washington in 2008 to establish and manage a U.S.\$1.2 billion India-focused private equity fund with contributions from domestic as well as overseas investors and has invested approximately 96% of its total capital commitment.

In July 2010, the Bank and the State General Reserve Fund of the Sultanate of Oman entered into a joint venture agreement to set up the Oman India Joint Investment Fund (“**OIJIF**”), which was

mandated to invest a sum of U.S.\$1.5 billion through a series of schemes in all sectors across India. As part of the agreement, Fund-1 of U.S.\$100 million was launched with equal participation from each of the JV partners. As of June 30, 2017, Fund-1 had made various investments in sectors such as defense electronics, industrial explosives, industrial batteries, mid-sized private sector bank, commodity exchange, agro-chemicals and single brand retailing. Further, in November 2015, the fund had divested one of its assets and realized an Internal Rate of Return of 35% to its investors. In order to strengthen the joint venture, it was decided to establish a second fund worth U.S.\$300 million under the OIIF umbrella. Similar to Fund-1, the fund is proposed to be sector agnostic and focused on Indian assets. The Fund has been formed and the management team is in the process of raising funds from various domestic as well as overseas investors.

In addition, the Neev Fund, a social infrastructure focused venture capital fund, with a target fund size of approximately Rs.6,600 million, was operationalized by the Bank jointly with DFID (UK) and SBICAP Venture Limited. This Fund, currently in its investment phase, has made three investments in the wind energy, cold storage and dairy sectors. As of the date of this Offering Circular, the Fund team is actively looking into other investment opportunities.

### *Portfolio Investment*

The Bank has obtained RBI approval for offering its Portfolio Investment Scheme (“PIS”) to NRIs on a repatriable and non-repatriable basis. In June 2012, the Bank entered into an agreement with GeojitBNP Paribas Financial Services Limited (“**GeojitBNP**”), a stock brokerage firm registered with the National Stock Exchange of India and the Bombay Stock Exchange. Under the agreement, GeojitBNP will act as the approved broker for the Bank’s NRI clients under its PIS for buying and selling shares and fully convertible debentures in the secondary market through recognized stock exchanges.

### *Regional Rural Banks*

The Bank has sponsored, in accordance with the Regional Rural Banks Act, 1976, 18 RRBs covering over 190 districts in 18 states with a network of 5,628 branches as of June 30, 2017. Following changes to the regulatory framework governing RRBs, these banks have been transformed in a similar way to commercial banks. As provided for in the Act and subsequent amendments thereto and in accordance with the various guidelines issued by the Central 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 Bank’s Treasury & Markets Group and its IT department. As of the date of this Offering Circular, the Bank’s shareholding in each RRB is limited to 35.0%.

The Central 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 (AEPS), APBS, IMPS, RTGS and NEFT.

### *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. In fiscal year 2014, the Bank significantly increased its e-commerce activities, including through a large number of merchant tie-ups, State Bank collect and private aggregators. The Bank has also 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 the market leader in India’s mobile banking services sector, with a market share of 25.44% in terms of number of transactions and of 44.53% of transaction value, during fiscal year 2017. The Bank’s mobile banking service, State Bank Freedom and State Bank Anywhere, offers low cost, round-the-clock, real-time banking services to customers through their mobile phones, with a focus on convenience and security. For the three months ended June 30, 2017 and in fiscal years 2017, 2016 and 2015, the Bank had 3.86 million, 18.4 million, 13.2 million and 3.9 million mobile banking registrations, respectively. The total number of mobile banking users was 34.35 million, 30.42 million, 24.7 million and 13.5 million as of June 30, 2017, and as of March 31, 2017, 2016 and 2015, respectively. Depending on the mode of access, mobile banking facilities include account balance enquiries, mini-statements, cheque book requests, trading account enquiries, fund transfer within the Bank and to other banks in India, mobile top-ups, railways and air ticket reservations, payment of bills, payment of life insurance premium as well as an inter-bank mobile payment services.

### *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 his 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.

In July 2011, the Bank introduced electronic self-service kiosks that are capable of implementing a range of non-cash transactions, including printing of passbooks, updating personal information and automatic fund transfers. As of June 30, 2016, the Bank had 1,364 self-service kiosks. However, this project has been closed since August 3, 2016.

### *Internet Banking*

As of June 30, 2017, all of the Bank’s domestic branches were authorized to register customers for internet banking services, and approximately 1.97 million customers in the retail segment and approximately 38.41 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](http://www.onlinesbi.com). The

Bank's internet banking solution is a cost effective channel, a comprehensive product for both retail and corporate users, including public sector undertakings and government agencies. For the three months ended June 30, 2017 and in fiscal years 2017, 2016 and 2015, the Bank's internet banking enabled approximately 263.69 million, 1,398.7 million, 1,242.5 million and 896.6 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 as well.

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 cheque 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, an 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 Associate Banks also utilize the same platform to provide internet banking services to their customers.

The number of internet banking users at the Bank was 40.03 million, 38.21 million, 26.3 million and 22.0 million as of June 30, 2017, and as of March 31, 2017, 2016 and 2015, respectively.

#### *Dematerialized and Online Trading*

Dematerialized, or "demat," offline as well as online trading services by the Bank is offered through SBICAP Securities Ltd. ("SSL"), which is a subsidiary of SBI Capital Markets Ltd. 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](http://www.sbismart.com). As of June 30, 2017, over 1,335,000 customers held dematerialized accounts with SSL, while the number of customers having dematerialized accounts as of March 31, 2017 was over 1,287,000, as of March 31, 2016 was over 1,093,000 and as of March 31, 2015 was over 780,000. 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 fully 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.

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 Group 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 June 30, 2017, 2,297 branches (including trade finance central processing centers and their linked branches) were enabled for the Bank's CS Eximbills application and over 2,614 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 cheque 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 has undertaken initiatives to continually review its operations and processes in light of changing market demand and customer needs. Initiatives seek to proactively 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 three months ended June 30, 2017, 80% 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 which include, without limitation, the following:

- “*World’s Most Ethical Companies 2015*” by Dun & Bradstreet;
- “*Best Public Sector Bank in Rural Reach, Technology Adoption, Retail and Overall category*” by Dun & Bradstreet;
- “*Most Valuable Indian Brands 2015*” by Brandz Top 50;
- “*Best CEO — Public Sector*” by Forbes Leadership Awards 2015;
- “*No. 1 among Financial Companies Award*” by Business World Magazine;
- “*IDRBT Banking Technology Excellence Awards 2014-15 in Best Bank Award*” for Electronic Payment Systems and “*Best Bank Award*” for Managing IT infrastructure;
- “*Trusted Brand 2015 (India)*” by Reader’s Digest;
- “*Best Bank in India*”, “*Best Trade Finance Providers in India*” and “*Best Sub-custodian in India Awards*” by Global Finance Magazine, New York;
- One of the top corporate brands by Economic Times Best Corporate Brands Summit — 2015;
- “*India’s Best CEO*” by Business Today;
- “*Social Banking Excellence Award 2015*” by the Associated Chambers of Commerce and Industry of India;
- “*Best Large Bank & Banker of the Year 2015*” by Businessworld Magazine;
- No. 1 in the most definite and reliable ranking of India’s biggest companies 2015 by Businessworld;
- World Records for the PAHAL (DBTL) Scheme by Guinness Book of World Records;
- “*Best PSU Bank in India Award 2015*” by World HRD Congress;
- “*Best Bank in India (Emerging Economy) Asia-Pacific 2016*” by Global Finance Magazine, New York;
- “*7th India Pride Awards: Best Central PSU-Financial Service 2015*” by Dainik Bhaskar Group;
- “*Best Analytics Award 2015*” by Finnoviti;
- “*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;
- “*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 “*Investment Considerations — 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.

In addition, traditional corporate banking 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 Banking 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.

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.

## ***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 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 Circular, 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 *“Investment Considerations — 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 June 30, 2017, the Bank had 273,181 employees (including contractual officers and officers posted abroad) of whom 38% were officers, 43% were clerical staff and 19% 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 periods 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 three months ended June 30,
	2015	2016	2017	2017
	(Rs. in million)			
Average business per employee . . . . .	123.4	141.1	162.4	162.7
Average business per branch . . . . .	1,640	1,930	1,934	1,840.2
Net profit per employee . . . . .	0.6	0.5	0.5	0.3
Net profit per branch . . . . .	8.0	5.9	6.1	3.3

### 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 five apex training institutes and 53 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.

In addition, the Bank 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 24,139 branches and 59,291 ATMs as of June 30, 2017. These facilities are located throughout India. In addition to the branches, extension counters and ATMs, the Bank maintains 16 administrative circles. During the quarter ended June 30, 2017, the Bank undertook a revaluation of its properties in accordance with the RBI guidelines. Based on the Bank's revaluation policy, only properties which are more than three years old as of March 31, 2017 have been considered for revaluation. The total revaluation reserve created amounted to Rs.359.44 billion as of June 30, 2017.



## DESCRIPTION OF ASSETS AND LIABILITIES OF THE BANK

### Loan Portfolio and Credit Exposure

The total assets of the Bank increased by 14.78% from Rs.23,576.18 billion as of March 31, 2016 to Rs.27,059.66 billion as of March 31, 2017. The Bank's loan portfolio increased by 7.34% from Rs.14,637.00 billion as of March 31, 2016 to Rs.15,710.78 billion as of March 31, 2017. The Bank's investments increased from Rs.5,756.52 billion as of March 31, 2016 to Rs.7,659.90 billion as of March 31, 2017. The Bank's portfolio of outstanding borrowers comprises companies representing a full range of industrial activities. The Bank's estimated market share in advances was 21.09% as of June 30, 2017 and 17.11% as of March 31, 2017, according to RBI statistics. The following table sets out the assets of the Bank as of the dates indicated below.

Assets	As of March 31,					
	2015		2016		2017	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(Rs. in millions, except %)					
Cash in hand . . . . .	149,432	0.73	150,809	0.67	120,303	0.44
Balance with RBI. . . . .	1,009,406	4.93	1,145,484	5.07	1,159,673	4.29
Balances at banks and money at call and short notice . . . . .	589,775	2.88	378,383	1.67	439,740	1.63
Investments . . . . .	4,950,274	24.17	4,770,973	21.12	7,659,896	28.31
Advances . . . . .	1,300,0264	63.48	14,637,004	64.79	15,710,784	58.06
Premises, less depreciation. .	29,721	0.15	31,435	0.14	350,725	1.30
Assets under construction (including premises) . . . . .	2,874	0.01	5,701	0.03	5,739	0.02
Other fixed assets (including furniture & fixture) less depreciation . . . . .	60,697	0.30	66,757	0.30	72,724	0.27
Other assets . . . . .	688,355	3.36	1,404,084	6.22	1,540,077	5.69
Leased assets . . . . .	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Assets. . . . .</b>	<b><u>20,480,798</u></b>		<b><u>22,590,630</u></b>		<b><u>27,059,663</u></b>	

The following table sets out the advances of the Bank as of the dates indicated below.

Advances	As of March 31,		
	2015	2016	2017
	(Rs. in millions)		
Bills purchased and discounted . . . . .	956,059	943,607	739,979
Cash credits, overdrafts and loans repayable on demand . . .	5,385,764	5,894,423	6,050,163
Term loans . . . . .	6,658,441	7,798,974	8,920,642
<b>Total.</b> . . . . .	<b>13,000,264</b>	<b>146,337,004</b>	<b>15,710,784</b>
Secured by tangible assets (includes advances against book debts) . . . . .	9,882,758	10,862,064	12,061,853
Covered by bank/government guarantees . . . . .	526,409	617,150	820,069
Unsecured . . . . .	2,591,096	3,157,791	2,828,861
<b>Total.</b> . . . . .	<b>13,000,264</b>	<b>14,637,004</b>	<b>15,710,784</b>
Advances in India . . . . .			
Priority sector . . . . .	2,889,524	3,285,515	3,412,575
Public sector . . . . .	994,445	1,444,019	1,216,306
Banks . . . . .	2,619	14,737	14,044
Others . . . . .	6,785,926	7,256,044	8,233,492
<b>Total</b> . . . . .	<b>10,672,514</b>	<b>12,000,316</b>	<b>12,876,418</b>
Advances outside India . . . . .			
Due from banks . . . . .	496,563	716,286	878,028
Due from others . . . . .			
(A) bills purchased and discounted . . . . .	284,599	151,791	116,726
(B) syndicated loans . . . . .	734,822	885,794	1,010,777
(C) others . . . . .	811,767	882,817	828,835
<b>Total</b> . . . . .	<b>2,327,750</b>	<b>2,636,688</b>	<b>2,834,366</b>
<b>Grand Total.</b> . . . . .	<b>13,000,264</b>	<b>14,637,004</b>	<b>15,710,784</b>

### **Lending**

As of March 31, 2017, the Bank's gross loan portfolio was Rs.16,272.73 billion and its gross credit substitutes outstanding were Rs.5,726.0 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 "*Description of the Bank — 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, for the periods indicated, the Bank's domestic loan portfolio classified by product groups.

	As of March 31,		
	2015	2016	2017
	(Rs. in billions)		
Corporate loans . . . . .	4,995.3	5,616.5	5,849.4
SME loans . . . . .	1,814.7	1,895.4	2,251.5
Agriculture loans . . . . .	1,197.8	1,253.9	1,347.3
Retail loans . . . . .	2,724.3	3,270.8	3,962.4
Food advances and others . . . . .	276.7	390.3	—
<b>Total domestic loans . . . . .</b>	<b>11,008.9</b>	<b>12,426.9</b>	<b>13,410.5</b>

### Industry Concentration

The following table sets out an analysis of gross outstanding domestic loans (fund based) by industry or sector as of the dates indicated.

Category	As of March 31			
	2016		2017	
	Amount	% of Total	Amount	% of Total
(Rs. in millions, except %)				
1 Coal . . . . .	441.88	0.23%	359.04	0.18%
2 Mining . . . . .	891.91	0.46%	926.44	0.47%
3 Iron & Steel . . . . .	13,435.18	6.97%	13,334.26	6.73%
4 Metal Products . . . . .	5,004.41	2.59%	4,729.10	2.39%
5 All Engineering . . . . .	4,419.36	2.29%	3,767.44	1.90%
5.1 Of which Electronics . . . . .	1,112.69	0.58%	691.96	0.35%
6 Electricity . . . . .	3,596.52	1.86%	1,000.26	0.50%
7 Cotton Textiles . . . . .	3,484.05	1.81%	3,538.32	1.79%
8 Jute Textiles . . . . .	50.90	0.03%	34.77	0.02%
9 Other Textiles . . . . .	2,964.28	1.54%	2,377.50	1.20%
10 Sugar . . . . .	1,029.09	0.53%	932.60	0.47%
11 Tea . . . . .	86.80	0.05%	68.59	0.03%
12 Food Processing . . . . .	3,972.23	2.06%	3,901.22	1.97%
13 Vegetable Oils & Vanaspati . . . . .	650.62	0.34%	591.49	0.30%
14 Tobacco / Tobacco Products . . . . .	66.67	0.03%	57.39	0.03%
15 Paper / Paper Products . . . . .	624.68	0.32%	515.78	0.26%
16 Rubber / Rubber Products . . . . .	495.97	0.26%	979.51	0.49%
17 Chemicals / Dyes / Paints etc. . . . .	7,876.04	4.08%	7,003.89	3.54%
17.1 Of which Fertilizers . . . . .	1,219.47	0.63%	1,284.28	0.65%
17.2 Of which Petrochemicals . . . . .	4,173.46	2.16%	2,861.04	1.44%
17.3 Of which Drugs & Pharma . . . . .	1,218.08	0.63%	1,181.96	0.60%
18 Cement . . . . .	918.26	0.48%	1,108.99	0.56%
19 Leather & Leather Products . . . . .	258.28	0.13%	249.25	0.13%
20 Gems & Jewellery . . . . .	1,502.36	0.78%	1,580.26	0.80%
21 Construction . . . . .	2,103.76	1.09%	2,260.97	1.14%
22 Petroleum . . . . .	5,087.18	2.64%	1,739.64	0.88%
23 Automobiles & Trucks . . . . .	1,509.96	0.78%	1,534.19	0.77%
24 Computer Software . . . . .	403.40	0.21%	254.07	0.13%
25 Infrastructure . . . . .	29,756.02	15.43%	26,496.85	13.38%

Category	As of March 31			
	2016		2017	
	Amount	% of Total	Amount	% of Total
	(Rs. in millions, except %)			
25.1 Of which Power . . . . .	17,015.01	8.82%	17,127.07	8.65%
25.2 Of which Telecommunications . . . . .	2,789.14	1.45%	2,286.35	1.15%
25.3 Of which Roads & Ports . . . . .	3,525.55	1.83%	2,992.01	1.51%
26 Other Industries . . . . .	17,412.40	9.03%	28,717.98	14.50%
27 NBFCs & Trading . . . . .	20,651.12	10.71%	20,583.26	10.39%
28 Residual Advances . . . . .	64,173.64	33.27%	69,462.36	35.06%
<b>Total</b> . . . . .	<u>192,871.50</u>	<u>100.00%</u>	<u>198,105.40</u>	<u>100.00%</u>

Industry Type	As of			
	March 31, 2017		June 30, 2017	
	Amount	% of Total	Amount	% of Total
	(Rs. in millions, except %)			
Infrastructure . . . . .	208,915	15.58	254,219	15.81
<i>of which: Power</i> . . . . .	146,223	10.90	171,645	10.68
Telecommunication . . . . .	18,821	1.40	22,497	1.40
Roads & Ports . . . . .	15,985	1.19	28,011	1.74
Other Infrastructure . . . . .	27,886	2.08	32,066	1.99
Services . . . . .	149,394	11.14	165,920	10.32
Iron & Steel . . . . .	80,948	6.04	108,301	6.74
Trade . . . . .	65,607	4.89	86,126	5.36
Textiles . . . . .	36,748	2.74	52,183	3.25
Petroleum & Petrochemicals . . . . .	45,353	3.38	39,390	2.45
Engineering . . . . .	21,369	1.59	29,468	1.83
Comm. Real Estate . . . . .	28,159	2.10	31,086	1.93
Other Industries . . . . .	173,595	12.94	161,785	10.06
Home Loans . . . . .	222,605	16.60	283,331	17.62
Auto Loans . . . . .	46,736	3.49	59,484	3.70
Other Retail Loans . . . . .	126,898	9.46	147,190	9.16
Agriculture . . . . .	<u>134,725</u>	<u>10.05</u>	<u>189,100</u>	<u>11.76</u>
<b>Total Domestic Advances</b> . . . . .	<u>1,341,054</u>	<u>100.00</u>	<u>1,607,583</u>	<u>100.00</u>

As of March 31, 2017, aggregate fund based advances to the Bank's top ten largest borrowers amounted to Rs.1,114.35 billion, representing approximately 54.52% of its total Tier I and Tier II capital. As of March 31, 2017, the Bank had an exposure of Rs.389.44 billion, for its single largest borrower, representing 19.02% of its Tier I and Tier II capital.

As of June 30, 2017, aggregate fund based advances to the Bank's top ten largest borrowers amounted to Rs.999.18 billion, representing approximately 38.94% of its total Tier I and Tier II capital. As of June 30, 2017, the Bank had an exposure of Rs.277.63 billion, for its single largest borrower, representing 10.82% of its Tier I and Tier II capital.

## 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 at the dates indicated.

Circle	As of March 31,			As of
	2015	2016	2017	June 30,
				2017
Ahmedabad . . . . .	3%	3%	3%	3%
Bangalore . . . . .	3%	3%	3%	4%
Bengal/Kolkata . . . . .	2%	2%	2%	2%
Bhopal . . . . .	4%	5%	4%	3%
Bhubaneswar . . . . .	2%	2%	1%	1%
Chandigarh . . . . .	4%	4%	3%	4%
Chennai . . . . .	5%	5%	4%	4%
Delhi . . . . .	6%	6%	4%	3%
Hyderabad . . . . .	6%	6%	5%	3%
Kerala . . . . .	2%	2%	2%	3%
Lucknow . . . . .	2%	2%	2%	2%
Mumbai . . . . .	8%	9%	6%	6%
North East . . . . .	2%	2%	2%	2%
Patna . . . . .	3%	3%	2%	2%
Jaipur . . . . .				3%
Telangana . . . . .				4%
Corporate Center <sup>(1)</sup> . . . . .	48%	46%	58%	52%
<b>Total domestic advances . . . . .</b>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

*Note:*

- (1) The Corporate Center houses the Corporate Banking Group and the Mid-Corporate Group. The Corporate Banking Group comprises three strategic business units, namely Corporate Accounts, Project Finance and Leasing, and the Financial Institution Business Unit. Also housed at the Corporate Center is the SAMG. The Corporate Accounts group has offices in Chennai, Mumbai, Kolkata, New Delhi, Hyderabad and Ahmedabad and the Project Finance and Leasing group's office is located in Mumbai. However, these two business groups extend loans to borrowers located throughout India. SAMG has offices at 14 centers, namely Ahmedabad, Bangalore, Bhopal, Bhubaneswar, Chandigarh, Chennai, Ernamulam, Kolkata, Lucknow, Ludhiana, Mumbai, New Delhi, Patna and Secunderabad. The Mid-Corporate Group has 14 regional offices in ten locations at Ahmedabad, Bangalore, Chandigarh, Chennai, Delhi, Hyderabad, Kolkata, Mumbai and Pune and Indore.

The Bank's loans to its ten largest individual borrowers as of March 31, 2017 totaled approximately Rs.1,667.63 billion, or approximately 10.25% of its total loan portfolio.

The Bank's loans to its ten largest individual borrowers as of June 30, 2017 totaled approximately Rs.1,555.68 billion, or approximately 8.25% of its total loan portfolio.

## Asset and Liability Maturity Profile

The following tables set out the maturity profile of the Bank's assets and liabilities as at the dates indicated.

### Loans and Advances

	As of March 31,		
	2015	2016	2017
	(Rs. in millions)		
Due in one year or less . . . . .	3,568,107	3,246,676	2,552,947
Over 1 year to 3 years . . . . .	6,420,586	6,658,032	5,736,690
Over 3 years to 5 years . . . . .	1,273,383	1,755,307	1,301,378
Over 5 years . . . . .	1,738,188	2,976,993	6,119,769

### Investment Securities

	As of March 31,		
	2015	2016	2017
	(Rs. in millions)		
Due in one year or less . . . . .	664,703	460,539	1,716,015
Over 1 year to 3 years . . . . .	695,094	892,938	1,001,086
Over 3 years to 5 years . . . . .	820,724	571,360	1,091,889
Over 5 years . . . . .	2,769,754	2,846,136	3,850,906

### Deposits

	As of March 31,		
	2015	2016	2017
	(Rs. in millions)		
Due in one year or less . . . . .	5,898,025	6,728,695	7,819,312
Over 1 year to 3 years . . . . .	3,747,498	4,062,045	4,576,305
Over 3 years to 5 years . . . . .	1,685,264	1,593,064	2,045,244
Over 5 years . . . . .	4,437,145	4,923,420	6,006,653

### Borrowings

	As of March 31,		
	2015	2016	2017
	(Rs. in millions)		
Due in one year or less . . . . .	1,315,882	1,305,467	2,179,927
Over 1 year to 3 years . . . . .	209,586	313,505	204,310
Over 3 years to 5 years . . . . .	166,204	165,742	235,908
Over 5 years . . . . .	359,830	457,193	556,792



### Foreign Currency Assets

	As of March 31,		
	2015	2016	2017
	(Rs. in millions)		
Due in one year or less . . . . .	1,604,449	1,589,146	1,581,840
Over 1 year to 3 years . . . . .	490,952	591,094	639,541
Over 3 years to 5 years . . . . .	441,855	651,186	673,126
Over 5 years . . . . .	398,509	471,009	407,586

### Foreign Currency Liabilities

	As of March 31,		
	2015	2016	2017
	(Rs. in millions)		
Due in one year or less . . . . .	1,965,903	214,2628	2,209,085
Over 1 year to 3 years . . . . .	522,732	595,861	469,716
Over 3 years to 5 years . . . . .	344,284	325,786	347,955
Over 5 years . . . . .	79,997	101,162	182,026

### Investment Portfolio

As of March 31, 2017, the Bank's investments comprised 28.31% of its total unconsolidated assets, while total advances were 58.06% of the Bank's total unconsolidated assets. The Bank 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 Bank attempts to achieve the highest risk-adjusted returns on its funds. With the progressive increase in credit off-take, the Bank has reduced its securities holdings proportionately.

The Bank is required to maintain a minimum holding of 20% 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.

The following table details the Bank's investment portfolio in the last three fiscal years.

Investments	As of March 31,		
	2015	2016	2017
	(Rs. in millions)		
Investments in India in			
Government securities . . . . .	3,776,542	4,595,529	5,752,387
Other approved securities . . . . .	0	0	0
Shares . . . . .	43,365	37,438	54,457
Debentures and bonds . . . . .	305,278	411,114	598,474
Subsidiaries/joint ventures (including associates) . . . . .	75,965	87,842	113,635
Others (units of mutual funds commercial papers priority sector deposits etc.) . . . . .	445,555	230,228	723,636
Total . . . . .	<u>4,646,704</u>	<u>5,362,150</u>	<u>7,242,589</u>
Investments outside India in			
Government securities (including local authorities) . . . . .	57,583	99,699	88,210
Subsidiaries/joint ventures abroad . . . . .	21,857	25,917	26,437
Other investments (shares, debentures, etc.) . . . . .	224,130	268,750	302,660
Total . . . . .	<u>303,570</u>	<u>394,367</u>	<u>417,307</u>
Grand total . . . . .	4,950,274	5,756,517	7,659,896
Investments in India			
Gross value of investments . . . . .	4,649,036	5,371,091	7,254,214
Less: aggregate of provisions/depreciation . . . . .	2,333	8,940	11,625
Net investments (vide I above) . . . . .			
Total . . . . .	<u>4,646,704</u>	<u>5,362,151</u>	<u>7,242,589</u>
Investments outside India			
Gross value of investments . . . . .	306,037	394,963	418,157
Less: aggregate of provisions/depreciation . . . . .	2,467	596	850
Net investments (vide II above) Total . . . . .	<u>303,570</u>	<u>394,367</u>	<u>417,307</u>
Grand total . . . . .	<u>4,950,274</u>	<u>5,756,518</u>	<u>7,659,896</u>

## Credit Management Policies and Procedures

### *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, 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 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 cost.

The Bank has internal guidelines that limit the amounts of loans that can be authorized. This amount differs depending on the type of loan and certain other factors, such as type of borrowers or type 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 Credit Policy and Procedures Committee (“CPPC”) in 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 the corporate loan approval procedures, the Bank carries out a detailed analysis of funding requirements including normal capital expenditure, long-term 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, as befit the requirements of the client and the risk profile. The repayment plan is generally linked to the cash flows of the company. The Bank’s credit analysts gauge the applicant’s particular funding requirements and evaluate the company’s credit worthiness, 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 Banking Group, Mid-Corporate 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 in line with the specific aspects of each project and industry, factoring in a timeframe for the venture to generate a stable revenue stream.

The Finance and Leasing unit is dedicated to lease financing for procuring equipment for projects or plants. The Bank enters into lease agreements as stand-alone contracts or as part of a structured package. The Bank typically undertakes leasing contracts with a minimum ticket size of Rs.50 million, generally restricted to 50.0% of the total net worth of the lessee. Lease contracts are usually structured for a tenor of five to seven years. The Bank, however, has stopped encouraging new leases due to a change in tax law that has resulted in unfavorable tax treatment with respect to such lease contracts.

### ***RBI Classification and Provisioning Requirements***

The Bank classifies its assets in accordance with the 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,			As of
	2015	2016	2017	June 30, 2017
	(Rs. In billions)			
Standard . . . . .	12,787.0	14,113.3	15,149.30	16,985.97
Sub-standard . . . . .	161.3	274.8	243.14	561.10
Doubtful . . . . .	380.7	684.6	857.83	1,258.70
Loss . . . . .	25.3	22.3	22.46	60.89
Total . . . . .	<u>13,354.3</u>	<u>15,095.0</u>	<u>16,272.73</u>	<u>18,866.66</u>

The following table sets forth the Bank's provisions for possible credit losses at the dates indicated.

Asset Category	As of March 31,			As of
	2015	2016	2017	June 30,
				2017
	(Rs. in billions, except for %)			
Provision held . . . . .	291.3	423.7	540.7	803.1
Provision held as % of gross advances . . . . .	2.18%	2.81%	3.32%	4.26%
Provision held as % of gross NPAs . . . . .	51.36%	43.15%	48.13%	42.70%

*Restructured Assets*

The 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 "Standard Advances" has now been increased by the RBI from 0.25% to 0.40%, with the exception of banks' direct advances to agricultural and SME sectors. For specific sectors, such as commercial real estate, provisioning at 1% 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 at 100.0% of the extent to which the advances is not covered by realizable value of security. In regard to the secured portion, provision is to be made as under:

Period for which advance remained in "Doubtful" category	Provision requirement
	(%)
Up to one year . . . . .	25
One to three years . . . . .	40
More than three years . . . . .	100
Loss Assets . . . . .	The entire asset is written off or 100% provision is made on outstanding amount.

## 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 SAMG. See “*Description of the Bank — Business Groups — Stressed Assets Management 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 according to the RBI guidelines in order to check the movement of standard assets into the NPA category, conducting regular reviews and taking quick corrective action;
- restructuring impaired standard accounts as well as viable NPAs, both under the CDRM scheme developed by the RBI as well as under the Bank’s own scheme for limiting NPAs;
- upgrading the Bank’s assets; and
- high-value accounts and cases referred to the BIFR, especially in the doubtful and loss categories, through 12 specialized Stressed Assets Management branches.

The Bank’s gross and net NPA ratios changed from 4.25% and 2.12% respectively as of March 31, 2015, to 6.50% and 3.81% respectively as of March 31, 2016. The Bank’s gross and net NPA ratios were 6.90% and 3.71% respectively as of March 31, 2017, and changed to 9.97% and 5.97% respectively as of June 30, 2017.

The Group’s gross and net NPA ratios changed from 4.29% and 2.24% respectively as of March 31, 2015, to 6.40% and 3.73% respectively as of March 31, 2016. The Group’s gross and net NPA ratios were 9.04% and 5.15% respectively as of March 31, 2017. See “*Investment Considerations — Risks Relating to the Bank’s Business — If the Bank is not able to control or reduce the level of NPAs in its portfolio, its business will be adversely affected.*”

The following table sets forth, for the periods indicated, information about the Bank’s unconsolidated NPA portfolio.

	As of March 31,			As of June 30,
	2015	2016	2017	2017
	(Rs. in millions except %)			
Gross NPAs . . . . .	567.25	981.72	1,123.43	1,880.68
Specific provisions . . . . .	291.11	423.42	540.43	801.17
Floating provisions . . . . .	0.23	0.23	0.23	0.23
NPA net of provisions . . . . .	275.90	558.07	582.77	1,077.60
Gross customer assets . . . . .	13,354.23	15,094.99	16,272.73	18,866.66
Net customer assets . . . . .	13,000.26	14,637.00	15,710.78	18,042.19
Gross NPAs/gross customer assets (%) . . .	4.25%	6.50%	6.90%	9.97%
Net NPAs/net customer assets (%) . . . . .	2.12%	3.81%	3.71%	5.97%
Specific provision as a % of gross NPAs .	51.32%	43.13%	48.11%	42.60%
Total provisions as a % of gross NPAs . .	51.36%	43.15%	48.13%	42.70%



The Bank's net provisioning coverage ratio as of June 30, 2017, March 31, 2017, 2016 and 2015, computed according to the RBI guidelines, was 60.79%, 65.95%, 61.57% and 60.69% respectively.

The Bank's SAMG was established to ensure close and continuous monitoring and timely management of NPAs of Rs.50 million and above. Since the beginning of fiscal year 2017, the Group has taken over the responsibility from the Bank for dealing with all NPAs of Rs.1.0 million (from 2008 to 2016, all NPAs above Rs.10 million were under the control of the Bank's SAMB) and above in order to provide a greater focus on recovery. These NPAs are mostly held by SAMG branches which are under direct control of the General Manager of SAMG at the Corporate Center. A high level task force at Corporate Center reviews NPAs of Rs.250 million and above periodically.

NPAs of Rs.10 million and above are reviewed by the Credit Committees at the regional offices of the Mid-Corporate Group and the Corporate Accounts group of the Corporate Banking Group as well as at Local Head offices. The NPA position of the Bank is also reviewed by the Central Management Committee of the Bank at monthly 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
	2015	2016	2017	June 30,
	(Rs. in billions)			2017
Standard . . . . .	12,787.0	14,113.3	14,783.0	16,592.6
Restructured assets . . . . .	558.4	390.5	366.3	393.4
Non-performing assets . . . . .	567.3	981.7	1,123.4	1,880.7
Sub-standard assets . . . . .	161.3	274.8	243.1	561.1
Doubtful assets . . . . .	380.0	684.6	857.8	1,258.7
Loss assets . . . . .	25.9	22.3	22.5	60.89

The following table sets forth the Bank's NPAs for its ten largest accounts, broken down by industry, as of June 30, 2017.

Industry (no. of accounts)	Gross principal
	outstanding
	As of June 30,
	2017
	(Rs. in billions)
Iron and Steel (5) . . . . .	310.82
Engineering (1) . . . . .	32.95
Textiles (1) . . . . .	79.62
Petro Chemicals (1) . . . . .	29.39
Food Processing (1) . . . . .	20.17
Infrastructure (1) . . . . .	39.52
Total . . . . .	<u>512.47</u>

### *Enforcement of Security Interests under 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 (“SC”) or a reconstruction company (“RC”); (ii) the foreclosure of assets through a SC or RC; and (iii) the foreclosure of NPA accounts.

As of June 30, 2017, the Bank issued notices under the SARFAESI Act to 333,023 borrowers with an aggregate principal outstanding of Rs.1,055.78 billion. Of these, Rs.155.92 billion has been recovered out of which Rs.59.40 billion has been recovered through compromise. 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.

Pursuant to the SARFAESI Act, a bank which is a secured creditor may, in respect of loans classified as NPAs, give notice in writing to the borrower (the term includes guarantor) who had created the charge requiring them to discharge its liabilities within 60 days, failing which, and in the absence of any satisfactory objections or representations made by the borrower, such a secured creditor may take the following measures to recover the dues:

- taking possession of the secured assets of the borrower, including the right to transfer these assets by way of lease, assignment or sale for realizing the secured assets;
- taking over the management of the business of the borrower, including the right to transfer assets by way of lease, assignment or sale for realizing the secured assets;
- appointing any person to manage the secured assets after taking possession; or
- advising any person who owes money because of acquiring any of the secured assets from the borrower, to pay the money directly to the banks or secured creditors.

If required, the secured creditors may request the Chief Metropolitan Magistrate or the District Magistrate to take possession of part or whole of the secured assets and other related documents and forward the assets and documents to the secured creditors. On sale of the secured assets, the proceeds would first be utilized to meet all the expenses incurred in enforcement of security interest and then for payment of dues of secured creditors. The remaining amount would be paid to others in accordance with their rights and interests. In case the dues are not fully recovered by sale of secured assets, then the secured creditors may, within the relevant limitation period, file an application to the Debt Recovery Tribunal for the remaining dues. The secured creditors are also entitled to proceed against the guarantors and sell the charged assets independent of their action for enforcement of security interests against the borrower.

On April 8, 2004 the Supreme Court of India pronounced a judgment upholding the constitutional validity of the SARFAESI Act (with the exception of section 17(2)). The Government has since enacted the Enforcement of Security Interest and Recovery of Debts Laws (Amendment) Act 2004 (the “Amended Act”).

The salient features of the Amended Act are as follows:

- The Amended Act makes it mandatory for the secured creditor to consider any representation or objection raised by the borrower (on whom notice had been served) and communicate reasons for non acceptance of the representation or objection within one week from the date of receipt of such representation or objection.
- Section 13(4)(b) empowers the secured creditor to take over the management of business of such borrower, to the extent it is related to the security of the debt. Where substantial part of the business of the borrower is held as security for the debt, the secured creditor is also empowered to take over the management of the entire business, including right to transfer by way of lease, assignment or sale for realizing the secured asset. However, the term “substantial part of the business” has not been defined.
- The Recovery of Debts Due to Banks and Financial Institution Act 1993 (“**DRT Act**”) was amended to allow banks and financial institutions to withdraw a recovery application filed by them before the Debt Recovery Tribunal (“**DRT**”) should they propose to initiate action under the SARFAESI Act. However, a judgment issued by the Supreme Court of India on November 29, 2006 indicated that there are no legal impediments for taking simultaneous action under the DRT Act and the SARFAESI Act.
- Under the Amended Act, an aggrieved borrower can make an application to the DRT to stay action taken under the SARFAESI Act and the same is required to be decided within 60 days. Further an appeal can be filed against an order of the DRT before the Debt Recovery Appellate Tribunal (“**DRAT**”) after the borrower has deposited 50% of the amount of debt (such sum may be reduced to 25.0% of the debt by the DRAT for reasons to be recorded in writing).

### **Corporate Debt Restructuring Mechanism**

In addition to the Government passing the SARFAESI Act, the RBI has established the Corporate Debt Restructuring Mechanism (“**CDRM**”). See “*Regulation and Supervision — Corporate Debt Restructuring Mechanism.*” The objectives of the CDRM are (i) to ensure a timely and transparent mechanism for restructuring corporate debts of viable entities affected by certain internal and external factors and (ii) to minimize losses to creditors and other stakeholders through an orderly and coordinated restructuring program. The CDRM is a voluntary, non-statutory mechanism based on debtor-creditor and inter-creditor agreements and operates outside the authority of the BIFR, debt recovery tribunals or legal proceedings.

The following table shows loan assets subjected to restructuring under the CDRM during the periods indicated and as a percentage of the Bank’s total loans on those dates.

	As of and for the year ended March 31,					
	2015		2016		2017	
	Rs.	%	Rs.	%	Rs.	%
	(Rs. in billions)					
Total loan assets which have been restructured . . . . .	315.92	2.36	286.67	1.90	248.25	1.53
Total sub-standard assets which have been restructured . . . . .	9.99	0.07	2.19	0.01	0	0
Total doubtful assets which have been restructured . . .	50.35	0.37	140.45	0.93	170.21	1.05

### *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) Ltd. (“**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. As of June 30, 2017, the Bank owns 19.95% of the share capital of ARCIL.

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 Regulation — Regulations relating to Sale of Assets to Asset Reconstruction Companies.*” 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.

### *Sale of Assets to Asset Reconstruction Companies, Banks, Financial Institutions and Non-Banking Financial Companies*

The Bank periodically engages in sales of NPAs to reconstruction companies, banks, financial institutions and non-banking financial companies. The following table sets out the sales of NPAs by the Bank to reconstruction companies for the periods indicated:

<u>Year ended March 31,</u>	<u>No. of NPAs sold</u>	<u>Total Outstanding Principal Amount</u> (Rs. in billions)	<u>Consideration Received</u> (Rs. in billions)
2015 .....	5,904	124.78	60.56
2016 .....	<u>46,399</u>	<u>31.38</u>	<u>13.55</u>
2017 .....	<u>8</u>	<u>12.64</u>	<u>7.93</u>
Total .....	<u>52,311</u>	<u>168.80</u>	<u>82.04</u>

### **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 the 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 72.72% and 74.87% of total deposits as of March 31, 2016 and 2017, respectively.

## Deposits and Borrowings

The following table sets out the Group's principal sources of funding as a percentage of total funding sources as of the dates indicated.

	As of March 31,					
	2015		2016		2017	
	Amount	%	Amount	%	Amount	%
	(Rs. in millions, except %)					
Deposits at branches in						
India . . . . .	19,489,181	79.3	21,439,720	79.6	24,913,696	79.00
Deposits at branches outside						
India . . . . .	1,040,427	4.2	1,098,856	4.1	1,084,411	3.44
Total deposits . . . . .	20,529,608	83.5	22,538,576	83.7	25,998,107	82.44
Borrowings in India . . . . .	799,594	3.2	753,494	2.8	1,348,646	4.28
Borrowings outside India . . . . .	1,647,041	6.7	1,828,650	6.8	2,015,011	6.39
Total borrowings . . . . .	2,446,635	9.9	2,582,144	9.6	3,363,657	10.67
Capital funds <sup>(1)</sup> . . . . .	1,613,875	6.6	1,805,924	6.7	2,171,921	6.89
Total . . . . .	<u>24,590,118</u>	<u>100.0</u>	<u>26,926,644</u>	<u>100.0</u>	<u>31,533,685</u>	<u>100.0</u>

(1) Capital funds comprise share capital, reserves and surplus.

The following table sets out the Bank's principal sources of funding as a percentage of total funding sources as of the dates indicated.

	As of March 31,					
	2015		2016		2017	
	Amount	%	Amount	%	Amount	%
	(Rs. in millions, except %)					
Deposits at branches in						
India . . . . .	14,872,363	77.85	16,364,246	77.96	19,533,001	76.57
Deposits at branches outside						
India . . . . .	895,569	4.69	942,978	4.49	914,513	3.59
Total deposits . . . . .	15,767,932	82.54	17,307,224	82.45	20,447,514	80.16
Borrowings in India . . . . .	453,965	2.38	464,418	2.21	1,176,356	4.61
Borrowings outside India . . . . .	1,597,538	8.36	1,777,488	8.47	2,000,580	7.85
Total borrowings . . . . .	2,051,503	10.74	2,241,906	10.68	3,176,936	12.46
Capital funds <sup>(1)</sup> . . . . .	1,284,382	6.72	1,442,744	6.87	1,882,861	7.38
Total . . . . .	<u>19,103,818</u>	<u>100.0</u>	<u>20,991,874</u>	<u>100.0</u>	<u>25,507,311</u>	<u>100.0</u>

(1) Capital funds comprise share capital, reserves and surplus.

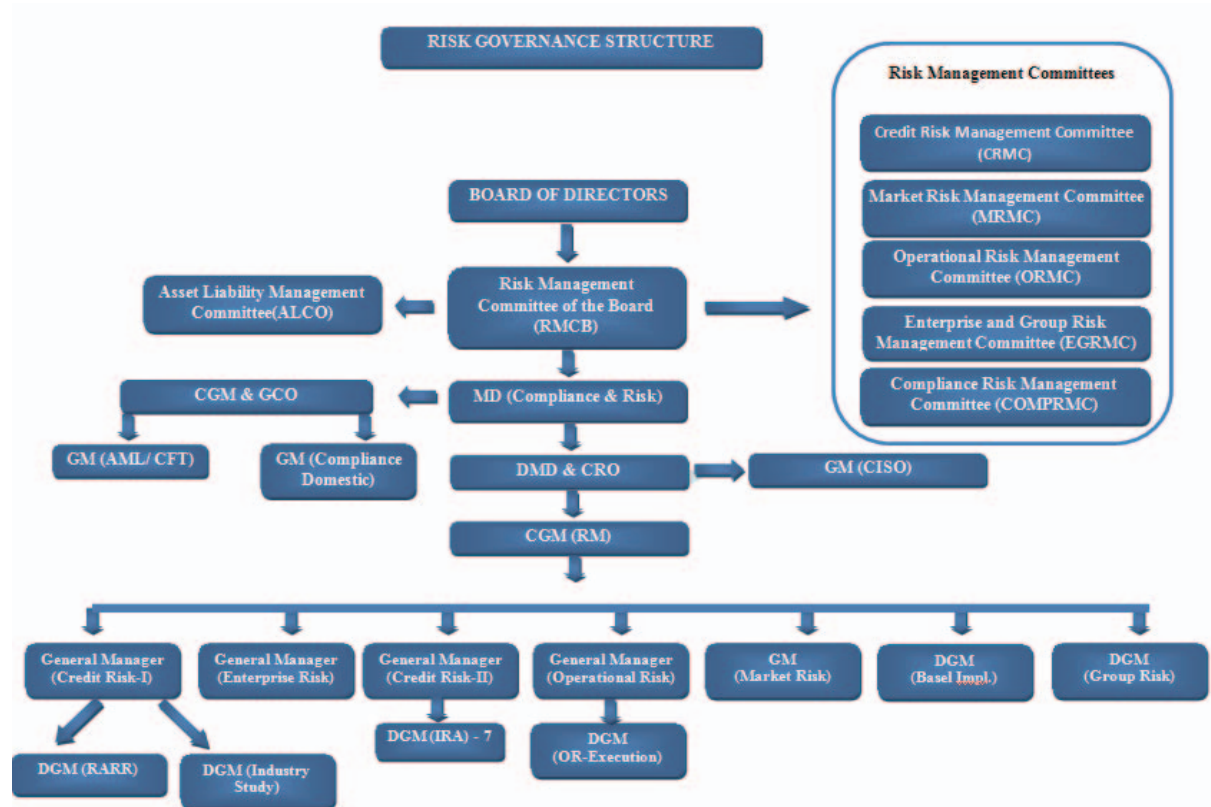
## DESCRIPTION OF ASSETS AND LIABILITY MANAGEMENT OF THE ISSUER

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/Group-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, Asset Liability Management Committee (“**ALCO**”), Market Risk Management Committee, Operational Risk Management Committee and Group Risk Management Committee. These committees are in place to address credit, market, liquidity, interest rate and operational 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 (Compliance & Risk). The Credit Risk Management Department, the Market Risk Management Department, the Operational Risk Management Department, the Group Risk Management Department, the Enterprise Risk Management Department, the Basel Implementation Department and the Department of Chief Information Security Officer all report to the CRO through the Chief General Manager (Risk Management). 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 risk 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 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 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 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 the Reserve Bank of India. 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.

Credit risk management uses credit audit and inspection systems to determine and manage risk exposure levels across the Bank. This is an integral part of the Bank’s risk management system and helps identify early warning signals of potential problems. The following exposure levels are currently prescribed by the Bank:

Individuals . . . . .	Maximum aggregate credit facilities (fund-based and non-fund-based) of Rs.250 million (other than against specified securities for which there is no restriction).
Non-corporate (partnerships, associations, etc.) . . . . .	Maximum aggregate credit facilities (fund-based and non-fund-based) of Rs.1 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.
Corporate . . . . .	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 35.0% of the total domestic 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 fund-based exposure. In addition, the Bank restricts term loan exposure to infrastructure projects to 15% 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 domestic 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 market 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 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 daily in accordance with RBI guidelines on asset liability management. The liquidity position is also monitored every two weeks through a short-term dynamic liquidity analysis for the following three months based on business projections and a review of the contingency funding plan at the end of each quarter. Finally, certain liquidity ratios are examined as prescribed by the asset liability management policy to track the Bank's liquidity position as of a particular date.

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 report 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. Finally, the monitoring function extends to the examination and approval of the Bank's treasury group's new products by its New Product Launch. Market risks related 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 are 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 both for trading as well as for 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 rating and length 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 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 based on the maximum permissible loss limit prescribed in Bank's asset liability management ("ALM") policy on a half yearly basis or earlier if market conditions warrant. The model is validated monthly by back testing. The VAR methodology used by the Bank is a historical simulation method using 252 days historical data which is updated everyday. The Bank calculates one day and 10 day VAR at 99% confidence level. Stress testing is conducted at regular 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 "*Investment Considerations — Risks Relating to the Bank's Business — There is operational risk associated with the banking industry which, if and when realized, may have an adverse impact on its 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 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 as well as 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 of 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 limit, counterparty limit, concentration risk limit, etc.

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, receipt and checking of broker contract notes, monitoring of receipt and payments on due dates, monitoring of transfer and receipt of securities into accounts where dematerialized securities are held and 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, limits on option greeks 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, and policy for foreign exchange and derivatives. Besides, 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 of 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, a strategic business group of the Corporate Banking Group, operates a central functioning office at Mumbai as well as branches at Ahmedabad, Bangalore, Chandigarh, Chennai, Hyderabad, Indore, Kolkata, New Delhi and Pune. These offices are jointly responsible for operations relating to trade finance, cash management and other general banking operations. In addition, the Bank's Mid-Corporate Group caters to the credit requirements of medium-sized corporations through its 14 regional offices and 55 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. Besides the respective controllers, officials from the Bank's Inspection and Audit and circle audit departments also visit all rural branches periodically to conduct a detailed audit for monitoring the adherence to controls and procedures as well as report irregularities within the branches. A statutory audit is also conducted at branch level after the 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:

- Customer acceptance policy;
- Customer identification procedures;
- 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 monitoring and reporting of suspicious transactions. KYC guidelines are covered as part of regular training programs for various staff categories by the Bank 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 monitoring 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 risk management policy was formed with a view to effectively monitor risk management practices amongst all Group entities using a common brand name and logo where the Bank holds an equity share of 20% 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 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 Bank, seven 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 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 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 Group and in accordance with Basel prescriptions and international best practices. Further, an Enterprise & Group Risk Management Committee has also been constituted to oversee matters relating to Group risk ensuring periodic review 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 Group members.

As part of the supervisory review and evaluation process, a Group 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 Group, 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.*”

The Bank is implementing a two-phase risk management project under the Framework. Phase one addresses three “Pillar 1” Risks identified in the Framework, namely credit risk, market risk and operational risk, in migrating to advanced approaches to risk management under the Framework. Through its ICAAP report the Bank also addresses “Pillar 2” Risks identified in the Framework, such as liquidity risk, interest rate risk, credit concentration risk, reputation risk and strategic risk. Phase

two of the risk management project covers development and adoption of best practices in enterprise and group risk management. Pursuant to RBI guidelines on Basel III under Pillar 3 (Market Discipline), the Bank's group risk management department implements "Pillar 3" (market discipline) policies related to disclosure under the Framework.

### *Enterprise Risk Management*

The Bank has initiated a "risk transformation" program comprising of two phases. While Phase I covers migration to Advanced Approaches of Basel II framework through implementation of the modules on the three Pillar I Risks (Credit Risk, Market Risk and Operational Risk), Phase II covers the implementation of modules on Group Risk Management and Enterprise Risk Management. In addition to the three Pillar I Risks, the Bank conducts the ICAAP which covers 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 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.

As regards 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 full-fledged branch, an extension counter, off-site ATMs, 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, the 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.

Effective July 15, 2011, banks have been advised, that while preparing their ABEP, they should allocate at least 25% 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 would mean 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 to their three year financial inclusion plans for branches opened in unbanked rural centers in a year in excess of the 25% minimum requirement.

## **Credit Management Policies and Procedures**

### *Credit Policy and Procedures Committee*

The CPPC is headed by the Chairman of the Bank and tasked with handling issues relating to credit policy and procedures and to analyze, manage and control credit risk on a Bank-wide basis. The CPPC formulates clear policies on standards for 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 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 of 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
- 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, 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 cost.

The Bank has internal guidelines that limit the amounts 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, rating of borrower or type 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 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 Banking Group, Mid-Corporate 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 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.

The Finance and Leasing unit is dedicated to lease financing for procuring equipment for projects or plants. The Bank enters into lease agreements as stand-alone contracts or as part of a structured package. The Bank typically undertakes leasing contracts with a minimum ticket size of Rs.50 million, generally restricted to 50.0% of the total net worth of the lessee. Lease contracts are usually structured for a tenor of five to seven years. The Bank, however, has stopped encouraging new leases due to a change in tax law that has resulted in unfavorable tax treatment with respect to such lease contracts.

## **Internal Controls**

The Bank has internal control systems with well-defined responsibilities at each level. It conducts internal audits through its Inspection and Management Audit (“**I&MA**”) Department. The Audit Committee of the Board (“**ACB**”) exercises supervision and control over the functioning of the I&MA Department. The inspection 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 audit (“**RFIA**”) and management audit, 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, besides quality of execution thereof. In addition, the department conducts credit audit, information systems audit (centralized IT establishments and branches), Foreign Exchange Management Act (“**FEMA**”) audit, home office audit (audit of foreign offices) and expenditure audit (at its administrative offices) and oversees the policy and implementation of concurrent audit (domestic and foreign offices) and circle audit (now being taken over by I&MA, with the nomenclature changed to internal verification audit). To verify the level of rectification of irregularities by branches, audit of compliance at select branches is also undertaken. During the period between April 1, 2017 and June 30, 2017, 4,009 domestic branches and business process reengineering entities were audited under the RFIA.

### *Risk Focused Internal Audit*

The Inspection and Management 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 I&MA department 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 audit of Group I branches is administrated by the Central Audit Unit (“**CAU**”) headed by a General Manager, audit of branches in the Group II and III categories and the Business Process Re-engineering (“**BPR**”) entities are conducted by 16 zonal inspection offices, each of which is headed by a general manager. The audit of branches and BPR entities is conducted at intervals approved by ACB and in conformity with RBI norms. During fiscal year 2017, 10,061 domestic branches and 288 BPR entities were audited, representing over 99.34% of branches due for audit under the Bank’s policies. Of the audited branches, 10,010 were audited branches and 339 were audited by the central audit unit. No branch remained due for audit beyond the periodicity prescribed by the RBI.

### *Management Audit*

Management audits encompass Corporate Center establishments: circle local head offices / Apex Training Institutions, associate banks and regional rural banks (“**RRBs**”) sponsored by the Bank. To enhance the effectiveness of management audits, periodicity has been reduced from the existing once in three years to once in two years. Six establishments and administrative offices were audited under management audit between April 1, 2017 and June 30, 2017. During the three months ended March 31, 2017, management audits were not carried out at any domestic offices or establishments.



### *Credit Audit*

The credit audit 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.100 million and above. The credit audit system also provides feedback to the business unit by way of warning signals about the quality of advance portfolio in the unit and suggests remedial measures. The credit audit system also carries out an off-site review (which is a loan review mechanism) of all the pre-sanction and sanction process of all individual advances above Rs.5 crores within 6 months of sanction, enhancement or renewal, as the case may be. During the period from April 1, 2017 to June 30, 2017, 1,839 accounts were subject to an on-site credit audit.

### *Information System Audit*

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, 2017 to June 30, 2017, IS audits of 13 centralized IT establishments were completed.

### *Foreign Offices Audit*

A home office audit in the fiscal year 2017 was carried out at 51 branches and management audit was conducted at one subsidiary, one regional head or country head office and four representative offices. All such branches and branches/offices (except regional heads, country head offices or representative offices) inspected during fiscal year 2017-18 will be rated as “well controlled”, “moderately controlled” or “adequately controlled”, depending on the risk perception, except for one of the Bank’s subsidiaries.

### *Concurrent Audit System*

The concurrent audit 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. I&MA department prescribes the processes, guidelines and formats for the conduct of concurrent audit at branches and BPR entities. During the year, the concurrent audit system has been revamped, along with the introduction of a web-based solution, with external auditors (chartered accountant firms) appointed as concurrent auditors at certain centers.

### *Early Sanction Review (“ESR”)*

The ESR mechanism has been introduced in the audit system since September 2014 to review sanctions of more than Rs.10 million up to Rs.50 million. The objectives of the ESR are:

- to capture the critical risks in the proposals sanctioned, at an early stage and apprise the controllers of such risks for mitigation thereof at the earliest opportunity;
- to improve the quality of the pre-sanction process and sanctions in respect of exposures falling in this category; and
- to improve the quality of sourcing of loan proposals.

Between April 1, 2017 and June 30, 2017, 8,015 accounts have been reviewed under ESR.

### *Circle Audit (“Internal Verification Audit”)*

A circle audit, which is a delegated audit, covers low-risk areas, and is conducted between two RFIAAs. This enables the auditee unit to be better prepared for the RFIA. With effect from April 1, 2017, circle audits were merged with RFIAAs.

### *Offsite Transaction Monitoring System (“OTMS”)*

Exception data of identified type of transactions are being generated with the help of a Data Warehouse and customized software by an offsite monitoring center at I&MA Hyderabad. OTMS is a web-based solution to capture deviations and take corrective actions. Presently, 29 types of deviations are being monitored and the Bank is in the process of adding three more deviations.

### *Legal Audit*

Legal audit was 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.5 crores and above. As of June 30, 2017, legal audit has been commenced in 589 eligible accounts and was completed in 589 cases.

## **Enforcement of Security Interests**

### *The SARFAESI Act*

See “*Description of Assets and Liabilities of the Bank — Credit Management Policies and Procedures — Enforcement of Security Interests under the SARFAESI Act*”.

## **Risk Management in Banking Subsidiaries**

The Bank’s banking subsidiaries have implemented various risk management policies which are in line with the Bank’s policies to identify, assess, monitor, control and mitigate risks coming under the broad categories of credit risk, liquidity risk, interest rate risk, market risk and operational risk. As is the case with the Bank, the banking subsidiaries have also put in place various risk management committees.

## DESCRIPTION OF THE BANK'S HONG KONG BRANCH

### Background

The Bank believes that Hong Kong is one of the world's key financial centers and the Bank has identified and made this center as its hub for the entire Asia Pacific region (excluding India). Hong Kong is the hub for India — China trade and is an important business intermediary for access to the large Chinese market. The Hong Kong Branch is considered to be one of the Bank's key branches on account of its strategic location, business profile and links to China.

### Key Objectives of the Hong Kong Branch:

The key objectives of Hong Kong Branch are:

- Raising resources through customer deposits.
- Arranging syndicated loans and guarantees for Indian corporates and participating in syndicated facilities in the primary and secondary markets.
- Investing in debt securities in the primary and secondary markets.
- Financing trade with a focus on India-based clients.
- Providing remittance facilities to India and other centers.
- Serving as a hub for centralized treasury operations to support the funding requirements of the Bank's branches in the Asia Pacific region (excluding India).

### The Bank's Hong Kong Operations

The Hong Kong operations of the Bank consist of the branches in Hong Kong and Kowloon. The branches are governed by the corporate policies of the Bank's corporate center in India.

The operations of the Bank in Hong Kong are regulated by the Hong Kong Monetary Authority. SBI Hong Kong is an "Authorized Institution" and is involved in the following regulated activities:

- Accepting Deposits;
- Dealing in investments as a principal;
- Syndication of loans;
- Trading in the foreign exchange markets;
- Sanction of bilateral loans (medium and long term);
- ATM and e-banking;
- Remittances in almost all major currencies; and
- Providing nostro account services to several banks.

As of the date of this Offering Circular, the Hong Kong Branch is in full compliance with the Hong Kong Monetary Authority requirements relating to liquidity. It has been rated as CAMEL-3 (second best on a scale of 1 to 5) by the Hong Kong Monetary Authority as of December 19, 2016 denoting *inter alia*:

- Strong financial strength;
- Satisfactory asset quality;
- Strong support by the head office on oversight of the branch;
- Substantial increase in profit and high quality earnings; and
- Comfortable liquidity ratios.

The Hong Kong Branch is also subject to the regulations and directives of the RBI as applicable to overseas branches of Indian banks.

The Hong Kong Branch intends to continue to focus on its key objectives as discussed above along with product delivery channels including ATMs and Internet banking. The Core Banking and treasury solutions at the foreign offices of the Bank are consistent with the world's leading systems. With various technology initiatives and new products, the Hong Kong Branch expects to further strengthen its already strong relationship with the Indian and local communities in Hong Kong and in neighboring countries with a focus on improved profitability and qualitative growth of its balance sheet.

## 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, primarily for Indian corporations and participating in syndicated facilities in the primary and secondary markets.
- Investing in debt securities and structured products in the primary and secondary markets.
- Providing retail customer credit to local corporations and individuals.
- Trade financing with a focus on India-related businesses including forating transactions.
- Meeting the requirements of the large Indian community in London in arranging remittances to India.
- 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 London Branch and twelve retail branches at City of London, East Ham, Golders Green, Harrow, Hounslow, Ilford, Southall, Birmingham, Coventry, Leicester, Manchester, and Wolverhampton. The offices are governed by the corporate policies of the Bank issued from the Bank's Corporate Center in India.

The SBI UK Operations and London Branch are 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;
- Arranging the safeguarding and administration of assets; and
- Dealing in investments as agent and as principal.

As of the date of this Offering Circular, 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 with an emphasis on retail banking by increasing product delivery channels, including through ATM cards and Internet Banking. 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.



## DESCRIPTION OF THE BANK'S NASSAU BRANCH

### Background

The Bank believes that its Nassau offshore banking unit (the “**Nassau Branch**”) is an important foreign branch on account of its strategic location and business profile. The Bank believes that Nassau is an important international financial centre for offshore banking and that it offers a transparent and liquid market. The Nassau Branch was established in 1975 and conducts branch banking business within The Bahamas. The Nassau Branch has been designated a non-resident status, which enables its profits and capital gains to be converted into foreign currency and repatriated with minimal formalities.

### Key Objectives of the Nassau Branch

The key objectives of the Nassau Branch are summarized below:

- Raising resources through customer deposits, lines of credit and market borrowings.
- Arranging syndicated loans, primarily for Indian corporates, and participation in syndicated facilities in the primary and secondary markets.
- Extending short term trade credit against letters of understanding of the Bank's domestic offices or other banks within the allocated exposure limits.
- Funding of external commercial borrowings of Indian corporates, SPVs and other entities by way of long term loans.

### Regulatory Compliance

The Nassau Branch is regulated by the Central Bank of The Bahamas and is required to comply with all applicable Bahamian laws and regulations relating to consumer protection, civil rights, fair lending, know-your-customer policies and anti-money laundering.

The Nassau Branch is also subject to the regulations and directives of the RBI as applicable to overseas branches of Indian banks.

## DESCRIPTION OF THE BANK'S SYDNEY BRANCH

### Background

The Bank started its operations in Sydney on November 23, 1998 by opening up a representative office. From April 21, 2004 the representative office was transformed into an operational branch (the “**Sydney Branch**”).

The Sydney Branch, among others, was opened with the objective of fostering closer trade relations between India and Australia and to help Indian corporates access the financial market in Australia. The Sydney Branch of the Bank, among others, provides its customers with corporate finance, syndicated loans and remittance services.

The Bank's Sydney operations are authorized and regulated by the Australian Prudential Regulation Authority (the “**APRA**”). However, the Australian Securities Investment Commission and Australian Transaction Reports and Analysis Centre are the other two regulators overseeing the functioning of the Bank's Sydney Branch.

### Key Objectives of the Sydney Branch

The key objectives of the Sydney Branch are to:

- Accept deposits;
- Arrange for syndicated loans and guarantees for Indian corporates and participate in syndicated facilities in the primary and secondary markets;
- Invest in debt securities in the primary and secondary markets;
- Finance trade mainly of India-based clients; and
- Provide remittance facilities to India and other centres.

### The Bank's Sydney Operations

The Australia operations of the Bank consist of the branch in Sydney. The branch is governed by the corporate policies of the Bank's corporate center in India.

The Bank's Sydney Branch is a “foreign authorised deposit taking institution” and is involved in the following activities:

- Accepting wholesale deposits;
- Syndication of loans;
- Trading in the foreign exchange markets;
- Sanctioning bilateral loans (medium and long term);
- Remittances in almost all major currencies; and
- Providing nostro account services to several banks.

As of the date of this Offering Circular, the Sydney Branch is in full compliance with the APRA requirements relating to liquidity, denoting, *inter alia*:

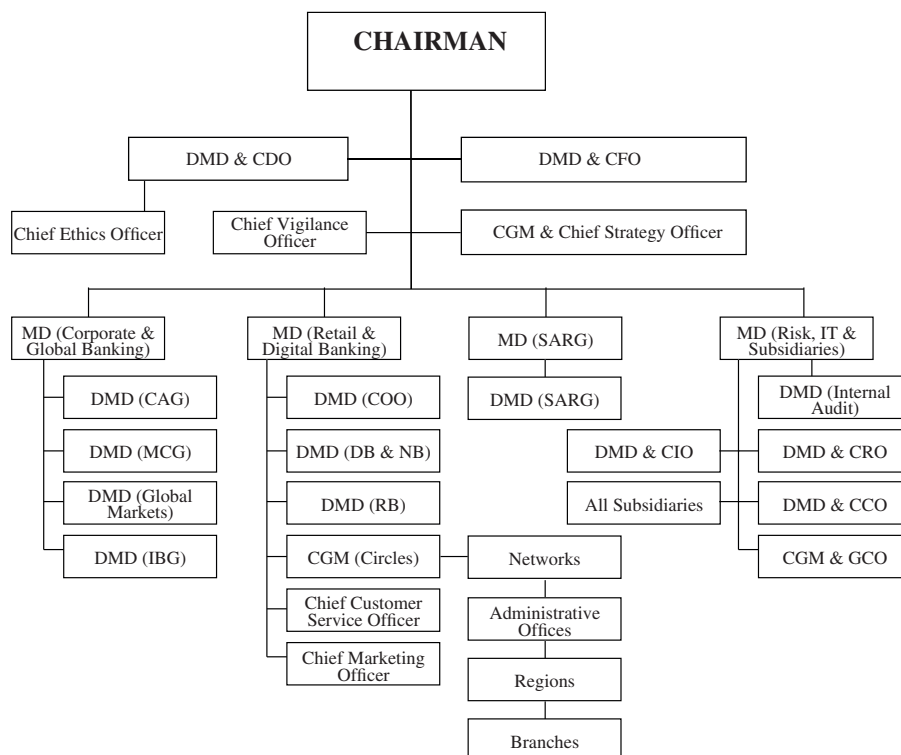
- Strong financial strength;
- Satisfactory asset quality;
- Strong support by the head office on oversight of the branch;
- Substantial increase in profit and high quality earnings; and
- Comfortable liquidity ratios.

The Bank's Sydney branch is also subject to the regulations and directives of the RBI as applicable to overseas branches of Indian banks.

The Bank's Sydney branch intends to continue to focus on its key objectives as discussed above. With various technology initiatives and new products and excellent customer service, the Sydney branch expects to further strengthen its already strong relationship with the Indian and local communities in Australia and in neighboring countries with a focus to further improve profitability and qualitative growth of its balance sheet.

## MANAGEMENT

The following chart illustrates the management structure of the Bank as of the date of this Offering Circular:



### 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.

The Central Board is headed by the Chairman of the Bank. As of the date of this Offering Circular other than four full-time Directors, i.e. the Chairman and three Managing Directors, there were eight other directors, who were also members of the Central Board, including eminent professionals having experience in the 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 as of the date of this Offering Circular are:

- four directors elected under section 19(c) by the shareholders;
- two directors nominated under section 19(d) by the Government;
- one director (who is an official from the Government) nominated by the Government under section 19(e); and
- one director (who is an official from the RBI) nominated by the Government on the recommendation of the RBI under section 19(f).

## Central Board as of the date of this Offering Circular

	<u>Name</u>	<u>Designation</u>
1	Mr. Rajnish Kumar . . . . .	Chairman
2	Mr. B. Sriram . . . . .	Managing Director – Corporate & Global Banking
3	Mr. P. K. Gupta . . . . .	Managing Director – Retail & Digital Banking
4	Mr. Dinesh Kumar Khara . . . . .	Managing Director – Risk, IT & Subsidiaries
5	Mr. Sanjiv Malhotra . . . . .	Director appointed under Section 19(c) of SBI Act
6	Mr. Bhaskar Pramanik . . . . .	Director appointed under Section 19(c) of SBI Act
7	Mr. Basant Seth . . . . .	Director appointed under Section 19(c) of SBI Act
8	Mr. Pravin Kutumbe . . . . .	Director appointed under Section 19(c) of SBI Act
9	Dr. Girish K. Ahuja . . . . .	Director appointed under Section 19(d) of SBI Act
10	Dr. Pushpendra Rai . . . . .	Director appointed under section 19(d) of the SBI Act
11	Mr. Rajiv Kumar . . . . .	Director appointed under section 19(e) of the SBI Act
12	Mr. Chandan Sinha . . . . .	Director appointed under section 19(f) of the 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 October 16, 2017, the Central Board held six meetings during fiscal year 2017-18.

## 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 October 16, 2017, the members of the CENMAC are as follows:

<u>Name</u>	<u>Designation</u>
Mr. Rajnish Kumar . . . . .	Chairman
Mr. B. Sriram . . . . .	Managing Director (Corporate & Global Banking)
Mr. Dinesh Kumar Khara . . . . .	Managing Director (Risk, IT & Subsidiaries)
Mr. P. K. Gupta . . . . .	Managing Director (Retail & Digital Banking)
Mr. V. C. Nageswar . . . . .	Deputy Managing Director (Global Markets)
Mr. Sunil Srivastava . . . . .	Deputy Managing Director (Corporate Accounts Group)
Mr. Siddhartha Sengupta . . . . .	Deputy Managing Director (International Banking Group)
Mr. Karnam Sekar . . . . .	Deputy Managing Director (Chief Credit Officer)
Dr. M. S. Sastry . . . . .	Deputy Managing Director (Chief Risk Officer)
Mr. B. C. Das . . . . .	Deputy Managing Director (Inspection & Management Audit)
Mr. J. Packirisamy . . . . .	Deputy Managing Director (Mid Corporate Group)
Mr. Prashant Kumar . . . . .	Deputy Managing Director (Corporate Development Officer and CSO)
Mr. Mrutyunjay Mahapatra . . . . .	Deputy Managing Director (Chief Information Officer)
Mr. Pallav Mohapatra . . . . .	Deputy Managing Director (Stressed Assets Management Group)
Ms. Anshula Kant . . . . .	Deputy Managing Director (Chief Financial Officer)
Mrs. Manju Agarwal . . . . .	Deputy Managing Director (Corporate Strategy & New Businesses)
Mr. Neeraj Vyas . . . . .	Deputy Managing Director (Chief Operating Officer)
Mr. K.V. Haridas . . . . .	Deputy Managing Director (Retail Business)

## Profile of Central Management Committee Members

**Mr. 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.

**Mr. B. Sriram** joined the Board on July 17, 2014 and is currently Managing Director (Corporate & Global Banking). Prior to this appointment he was Managing Director (National Banking Group). He has significant and varied experience in the areas of treasury, credit and corporate banking, including overseas experience at Singapore. He joined the Bank as a direct recruit officer in 1981. Previously, he held the positions of Chief General Manager (Global Markets) and General Manager (Global Markets) at the Bank.

**Mr. Dinesh Kumar Khara** joined the Board on August 9, 2016 and is currently Managing Director (Risk, IT & Subsidiaries). Prior to this appointment he was MD and CEO of SBI Funds Management P. Ltd. He has held various important assignments in the Bank.

**Mr. P. K. Gupta** joined the Board on November 1, 2015 and is currently Managing Director (Retail & Digital Banking). 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 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.

**Mr. V.C. Nageswar** is Deputy Managing Director (Global Markets). He joined the Bank as a direct recruit officer in 1983. Previously, he held the positions of Chief General Manager (Global Markets) and Regional Head of the Bank's East Asia Operations.

**Mr. Sunil Srivastava** is Deputy Managing Director (Corporate Accounts Group). He joined the Bank as a direct recruit officer in 1980. Previously, he held the positions of Deputy Managing Director (Corporate Strategy & New Business), Chief General Manager (Kolkata circle) and General Manager (New Delhi).

**Mr. 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.



**Mr. Karnam Sekar** is Deputy Managing Director (Chief Credit Officer and CSO). He joined the Bank as a direct recruit officer in 1983. Previously, he held the positions of Chief General Manager (Lucknow circle) and General Manager (Corporate Accounts Group).

**Dr. M S Sastry** is Deputy Managing Director (Chief Risk Officer). He joined the Bank as a direct recruit officer in 1983. Previously, he held the position of Chief General Manager (Kerala circle).

**Mr. B.C. Das** is Deputy Managing Director (Inspection and Management Audit). He joined the Bank as a direct recruit officer in 1984. Previously, he held the position of Chief General Manager (Kerala Circle).

**Mr. J Packirisamy** is Deputy Managing Director (Mid Corporate Group). He joined the Bank as a direct recruit officer in 1984. Previously, he held the positions of Chief General Manager (Mid-Corporate Group) at the Corporate Center and CEO of the Bank's Frankfurt Office.

**Mr. Prashant Kumar** is the Deputy Managing Director and Corporate Development Officer of the Bank. He joined the Bank as a direct recruit officer in 1983. Previously, he held the positions of Chief General Manager (Bengaluru Circle) and General Manager (Mumbai Circle).

**Mr. Mrutyunjay Mahapatra** is the Deputy Managing Director & Chief Information Officer of the Bank. He joined the Bank as a direct recruit officer in 1982. Previously, he held the positions of Chief General Manager (International Banking) at the Corporate Center and Country Head of the Bank's UK Operations.

**Mr. Pallav Mohapatra** is the Deputy Managing Director of the Stressed Assets Management Group. He joined the Bank as a direct recruit officer in 1983. Previously, he held the position of Chief General Manager (Delhi Circle).

**Ms. Anshula Kant** is Deputy Managing Director (Chief Financial Officer) 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 (Operations), Chief General Manager and General Manager at the Mumbai circle of the Bank.

**Mrs. Manju Agarwal** is Deputy Managing Director (Corporate Strategy & New Businesses). She joined the Bank as a direct recruit officer in 1983. Previously, she held the positions of Deputy Managing Director and Chief Operating Officer and Chief General Manager (Rural Business) at the Corporate Center of the Bank.

**Mr. Neeraj Vyas** is the Deputy Managing Director and Chief Operating Officer of the Bank. He joined the Bank as a direct recruit officer in 1981. Previously, he held various important positions in the Bank.

**Mr. 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.

## **Committees**

Under the terms of provision of the SBI Act and General Regulations 1955 and relevant regulatory guidelines, the Central Board has established 12 committees of Directors: (1) Executive Committee of the Central Board, (2) Audit Committee, (3) Stakeholders Relationship Committee, (4) Risk Management Committee, (5) Special Committee of the Board for Monitoring Large Value Frauds, (6) Customer Service Committee, (7) IT Strategy Committee, (8) Remuneration Committee, (9) Board Committee to Monitor Recovery, (10) Nomination Committee, (11) Review Committee for Willful Defaulters and (12) Corporate Social Responsibility Committee of the Board.

### *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 28 times between April 1, 2017 and October 16, 2017.

### *Audit Committee of the Board*

The Audit Committee of the Board (“**ACB**”) was constituted on July 27, 1994 and last reconstituted on September 27, 2017. 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 October 16, 2017, 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 as of the date of this Offering Circular are:

- (a) **Dr. Girish Ahuja** — Director — Chairman of the Committee;
- (b) **Mr. Bhaskar Pramanik** — Director — Member;
- (c) **Mr. Basant Seth** — Director — Member;
- (d) **Mr. Pravin Kutumbe** — Director — Member;
- (e) **Ms. Anjuly Chib Duggal** — Government of India Nominee — Member;
- (f) **Mr. Chandan Sinha** — RBI Nominee — Member;
- (g) **Managing Director (Corporate & Global Banking)** — Member (Ex officio); and
- (h) **Managing Director (Risk, IT & Subsidiaries)** — Member (Ex officio).

The functions of the ACB are as follows:

- (a) 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.
- (b) 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.

- (c) 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.
- (d) 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.

Between April 1, 2016 and October 16, 2017, seven meetings of the ACB were held 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 27, 2017.

#### *Composition of the Committee*

The Committee has six members as of the date of this Offering Circular:

- Mr. Pravin Kutumbe — Chairman of the Committee;
- Sanjiv Malhotra — Member;
- Dr. Girish K. Ahuja — Member;
- Dr. Pushendra Rai — Member;
- Managing Director (Retail & Digital Banking) — (Ex-officio) — Member; and
- Managing Director (Risk, IT & Subsidiaries) — (Ex-officio) — Member.

The SRC held two meeting between April 1, 2017 and October 16, 2017.

### ***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 27, 2017.

#### *Composition of the Committee*

The Committee has seven members as of the date of this Offering Circular:

- Managing Director (Corporate & Global Banking) — (Ex-officio) — Chairman of the Committee;
- Managing Director (Risk, IT & Subsidiaries) — (Ex-officio) — Member; and
- Five non-executive directors including Mr. Sanjiv Malhotra, Mr. Bhaskar Pramanik, Mr. Basant Seth, Mr. Pravin Kutumbe and Dr Pushendra Rai.

The RMCB meets a minimum of four times a year, once in each quarter. The RMCB held two meetings between April 1, 2017 and October 16, 2017.

### ***Special Committee of the Board for Monitoring of Large Value Frauds (Rs.10 million and above)***

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 27, 2017.

#### *Composition of the Committee*

The Committee has eight members as of the date of this Offering Circular:

- Managing Director — (Retail & Digital Banking) — Ex-officio-Chairman of the Committee;
- Managing Director — Risk, IT & Subsidiaries — Ex-officio-Member;
- Four Members from the Audit Committee of the Board Dr. Girish K. Ahuja, Mr. Bhaskar Pramanik, Mr. Basant Seth and Mr. Pravin Kutumbe; and
- Two other Members — Mr. Sanjiv Malhotra and and Dr. Pushendra Rai.

The Committee met twice between April 1, 2017 and October 16, 2017.

### ***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 27, 2017.

#### ***Composition of the Committee***

The Committee has seven members as of the date of this Offering Circular:

- Managing Director — Corporate & Global Banking — Ex-officio — Chairman of the Committee;
- Managing Director — Retail & Digital Banking — Ex-officio-Member;
- Mr. Sanjiv Malhotra — Member;
- Dr. Girish K. Ahuja — Member;
- Dr. Pushendra Rai, — Member.
- Mr. Bhaskar Pramanik — Member; and
- Mr. Basant Seth — Member;

The Committee met twice between April 1, 2017 and October 16, 2017.

### ***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 27, 2017. The Committee has played a strategic role in the Bank's technology development. Based on RBI guidelines received during the year, the Committee has been renamed IT Strategy Committee of the Board. 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 six members as of the date of this Offering Circular:

- Mr. Bhaskar Pramanik — Chairman of the Committee;
- Mr. Sanjiv Malhotra — Member;
- Dr. Pushpendra Rai — Member;
- Mr. Pravin Kutumbe — Member;
- Managing Director — Corporate & Global Banking — Ex-officio-Member; and
- Managing Director — Risk, IT & Subsidiaries — Ex-officio-Member.

The Committee met thrice between April 1, 2017 and October 16, 2017.

### ***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 27, 2017.

As of the date of this Offering Circular, the Committee has four members consisting of (i) Ms. Rajiv Kumar (Government nominee Director), (ii) Mr. Chandan Sinha (RBI nominee Director), (iii) Mr. Basant Seth (Non-Executive Director) and (iv) Dr. Girish K.Ahuja (Non-Executive 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 27, 2017.

### *Composition of the Committee*

The Committee has six members as of the date of this Offering Circular:

- Ms. Rajnish Kumar — Chairman;
- Mr. B. Sriram, MD — Corporate & Global Banking — Member;
- Mr. Dinesh K. Khara, MD — Risk, IT & Subsidiaries — Member;
- Mr. P.K. Gupta, MD — Retail & Digital Banking — Member; and
- Mr. Rajiv Kumar, GOI Nominee — Member (Ex-Officio).

The Committee met twice between April 1, 2017 and October 16, 2017.



### ***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 September 27, 2017.

#### ***Composition of the Committee***

The Committee has seven members as of the date of this Offering Circular:

- Managing Director — Retail & Digital Banking — Ex-officio — Chairman of the Committee;
- Managing Director — Risk, IT & Subsidiaries — Ex-officio-Member;
- Mr. Sanjiv Malhotra — Member;
- Mr. Bhaskar Pramanik — Member;
- Mr. Basant Seth — Member;
- Mr. Pravin Kutumbe — Member; and
- Mr. Pushpendra Rai — Member.

The Committee met twice between April 1, 2017 and October 16, 2017.

#### ***Review Committee for 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 — Corporate & Global Banking is the Chairman of this Committee and two independent Directors are its members. The role of this Committee is to review the Order of “ the Committee for the Identification of Willful 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 Willful 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 27, 2017 and met twice during the period of April 1, 2017 to October 16, 2017.

#### ***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 March 15, 2017.

#### **Compensation for Executives and the Board**

With respect to compensation for members of the Board, sitting fees are paid as decided by the Government. As of October 16, 2017, sitting fees payable for attending Central Board meetings are Rs.20,000.00 per meeting and for other board-level committees, Rs.10,000.00 per meeting. Sitting fees are, however, not paid to the Chairman and Managing Directors of the Bank and Nominee Directors of the Government of India and the RBI.

## 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 Circular:

<u>Name</u>	<u>Number of Shares held</u>
Mr. Rajnish Kumar . . . . .	0
Mr. B. Sriram . . . . .	500
Mr. P. K. Gupta . . . . .	4,900
Mr. Dinesh Khara . . . . .	3,100
Mr. Bhaskar Pramanik . . . . .	5,000
Mr. Basant Seth . . . . .	5,000
Mr. Sanjiv Malhotra . . . . .	21,126
Mr. Pravin Kutumbe . . . . .	5,000
Dr. Girish K. Ahuja . . . . .	2,000
Mr. Chandan Sinha . . . . .	500
Mr. Rajiv Kumar . . . . .	0
Mr. Pushpendra Rai . . . . .	—

### Distribution of Shareholdings

The following table sets forth information relating to the distribution of the Bank's shareholdings as of June 30, 2017:

<u>Shareholders</u>	<u>% of Shares held</u>
President of India . . . . .	57.07
Non-residents (FIIs/OCBs/NRIs/GDRs) . . . . .	12.91
State Governments/Financial Institutions including Insurance Companies/Banks . . . . .	11.60
Mutual Funds/Government Companies/UTI . . . . .	9.40
Domestic Companies/Pvt. Corporate Bodies/Trusts . . . . .	2.56
Others including resident individuals . . . . .	6.46
Total . . . . .	100.00

## 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 specialised 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 liberalised domestic capital market and the entry of new private sector banks have progressively intensified the competition among banks. Banks in India may be categorised 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 liberalisation 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 RBI, established in 1935, is the central banking and monetary authority in 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. For further discussion regarding the RBI's role as the regulatory and supervisory authority of India's financial system and its impact on the Bank, see "*Supervision and Regulation*".

### **Commercial Banks**

Commercial banks in India have traditionally focused on meeting the short-term financial needs of industry, trade and agriculture. In recent years they have also focused on increasing long-term financing to sectors like infrastructure. As at 31 December 2016, there were 148 scheduled commercial banks in the country, including 56 regional rural banks (**RRBs**). Scheduled commercial banks are banks that are listed in the schedule to the Reserve Bank of India Act, 1934 (the **RBI Act**) and are further categorised as public sector banks, private sector banks and foreign banks. Scheduled commercial banks have a presence throughout India with a network of 136,412 branches, and approximately 62.54 per cent. of these branches were located in rural or semi-urban areas of the country as at 31 December 2016. 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 and its five associate banks, 20 nationalised banks (including IDBI Bank) and 56 RRBs. Excluding the RRBs, the remaining public sector banks have 91,760 branches and accounted for 66.27 per cent. of gross bank credit and 70.64 per cent. of the aggregate deposits of the scheduled commercial banks as at 31 December 2016. The public sector banks' large network of branches enables them to fund themselves out of low cost savings and current accounts.

RRBs were established from 1976 to 1987 by the Government, state governments and sponsoring commercial banks jointly with a view to develop the rural economy. RRBs provide credit to small farmers, artisans, small entrepreneurs and agricultural labourers. The National Bank for Agriculture and Rural Development (NABARD) is responsible for supervising the functions of the RRBs. In 1986, the Kelkar Committee made comprehensive recommendations covering both the organisational and operational aspects of RRBs, several of which were adopted as amendments to the Regional Rural Bank Act, 1976. As part of a comprehensive restructuring programme, re-capitalisation of the RRBs was initiated in fiscal 1995, a process which continued until fiscal 2000 and covered 187 RRBs, with aggregate financial support of Rs.21.9 billion from the stakeholders. Simultaneously, prudential norms on income recognition, asset classification and provisioning for loan losses following customary banking benchmarks were introduced.

As at 31 December 2016, there were 20,968 branches of RRBs. As at 31 December 2016, RRBs accounted for 3.48 per cent. of aggregate deposits and 2.86 per cent. of gross bank credit outstanding of scheduled commercial banks.

#### ***Private Sector Banks***

Most large banks in India were nationalised 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 at 31 December 2016, there were a total of 26 private banks. The Sangli Bank Limited, an unlisted “old” private sector bank merged, with ICICI Bank with effect from 19 April 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 12 August 2010. On 1 April 2015, the RBI approved the merger of Kotak Mahindra Bank and ING Vysya Bank.

As at 31 December 2016, private sector banks accounted for approximately 21.90 per cent. of aggregate deposits and 26.05 per cent. of gross bank credit outstanding of the scheduled commercial banks. As at 31 December 2016 their network of 23,392 branches accounted for 17.15 per cent. 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 per cent. 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 per cent. 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.

On 2 April 2014, the RBI granted “in-principle” approval to two applicants (IDFC Limited and Bandhan Financial Services Private Limited) to set up banks under the New Banks Licensing Guidelines. As at the date of this Offering Circular, these two banks had started functioning. In the future, the RBI intends to issue licences on an on-going basis, subject to the RBI’s qualification criteria.

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 2016, the RBI issued new bank licences 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 at 31 March 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 at 31 December 2016, there were over 43 foreign banks operating in India with a combined total of 292 branches. As at 31 December 2016, they accounted for 3.984 per cent. of aggregate deposits and 4.821 per cent. of outstanding gross bank credit of scheduled commercial banks. In 2009, as part of the liberalisation 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 per cent. 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 synchronised 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 2012 stated that it was in the process of framing comprehensive guidelines in this regard. On 20 July 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 1 April 2013. All other foreign banks will continue to be subject to the existing overall target of 32 per cent.

On 6 November 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 31 August 2010) to convert into a WOS. However, foreign banks are incentivised 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 per cent. 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 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 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 1 April 2010. Urban cooperative banks that fulfil certain eligibility criteria are allowed direct access to the negotiated dealing system (NDS) order matching (OM), 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 modernisation 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 harmonise 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 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 27 September 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 (SLR). 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 specialised 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 were about 11,612 non-banking financial companies in India as at 28 February 2017, mostly in the private sector. All non-banking financial companies are required to register with the RBI. The non-banking financial companies may be categorised 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 company called infrastructure finance companies and followed up in December 2011 with the announcement of a separate category of non-banking financial company — microfinance institutions. The primary activities of the non-banking financial companies are providing consumer credit, including 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 licence by the RBI and converted itself into Kotak Mahindra Bank.

During fiscal 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 per cent., 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 per cent. instead of the current minimum of 10.0 per cent.

The capital adequacy ratio was proposed to be increased to 15.0 per cent. 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 per cent. requirement to 31 March 2010 and of 15.0 per cent. to 31 March 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 per cent. against the current minimum of 12.1 per cent.

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 per cent. 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 million with a minimum net owned fund of Rs.20 million for registering as a non-banking financial company, a minimum Tier I capital of 12 per cent. 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 1 April 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 10 November 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

million and above and all deposit taking NBFCs was raised to 10 per cent. from 7.5 per cent. in a gradual manner (8.5 per cent. by the end of March 2016 and nil per cent. 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 1 July 2016 and the master direction “Non-Banking Financial Company — Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016” dated 1 September 2016 states that the minimum capital ratio consisting of Tier I and Tier II capital shall not be less than 15 per cent. 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 per cent. as at 31 March 2016 and 10 per cent. as at 31 March 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 securitisation 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 per cent. of equity plus free reserves from the existing 10 per cent. limit, with a further option of an increase by an additional 5 per cent. on the 20 per cent. limit, with prior approval from the board of the company.

### **Other Financial Institutions**

#### ***Specialised Financial Institutions***

In addition to the long-term lending institutions, there are various specialised 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 at 17 December 2016, there were 54 insurance companies in India, of which 24 are life insurance companies, 30 are general insurance companies and one is a re-insurance company. Of the 24 life insurance companies, 23 are in the private sector and one is in the public sector. Among the general insurance companies, 23 are in the private sector and seven (including the Export Credit Guarantee Corporation of India Limited and the Agriculture Insurance Company of India Limited) are in the public sector. The re-insurance company General Insurance Corporation of India is in the public 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. 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 per cent. 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 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 per cent. (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 per cent. to 49.0 per cent.

For fiscal 2016, the life insurance industry recorded a premium income of Rs.3,669.43 billion as against a premium income of Rs.3,281.01 billion in fiscal 2015, a growth of 11.84 per cent. While private sector insurers posted 13.64 per cent. growth for fiscal 2016 as against 14.32 per cent. in fiscal 2015 in their premium income, LIC recorded 11.17 per cent. growth for fiscal 2016 as against a growth of 1.15 per cent. in fiscal 2015. During that year, the market share of private players increased from 26.95 per cent. to 27.39 per cent. While renewal premium accounted for 62.16 per cent. for fiscal 2016 of the total premium received by the life insurers, first year premium contributed the remaining 37.84 per cent.

During fiscal 2016, growth in renewal premium was 6.20 per cent. as against a growth of 10.72 per cent. in fiscal 2015. First year premium registered a growth of 22.53 per cent. in fiscal 2016 in comparison to a decline of 5.81 per cent. during 2014-15.

### ***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) Regulation, 1996. As at 31 March 2017, there were 42 mutual funds in India with average total assets under management of Rs.18,295 billion, an increase of 27 per cent. from Rs.14,410 billion as at 30 June 2016.

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 recognised 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 1 August 2010. Further, the Union Budget for fiscal 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 nationalised 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 channelled 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 organisational issues, accounting practices and operating procedures, were implemented by the Government. The major recommendations that were implemented included the following:

- with fiscal stabilisation 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 per cent. in the pre-reform period to 25.0 per cent. in October 1997. The RBI currently requires banking companies to maintain a liquidity ratio of 20.50 per cent. with effect from 7 January 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 per cent. in the pre-reform period to a low of 4.5 per cent. The CRR effective from 9 February 2013 is 4.00 per cent.;
- 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 25 October 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 2002, aggregate re-capitalisation 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***

The aggregate deposits have increased by 16.367 per cent. while loans and advances increased by 7.016 per cent. in the period of 1 January 2016 to 31 December 2016. As at 31 December 2016, public sector banks (including RRBs) accounted for the largest share of 74.12 per cent. aggregate deposits and 69.12 per cent. in gross bank credit, followed by private sector banks with 21.900 per cent. aggregate deposits and 26.054 per cent. in gross bank credit. As at the end of December 2016, the credit-deposit ratio for scheduled commercial banks was 70.584 per cent., compared to 76.752 per cent. in the previous year. (*Source: Reserve Bank of India — Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks: December 2016.*)

From 1 January to 31 December 2016, private sector banks and foreign banks indicated a higher credit growth (14.72 per cent.) as compared to public sector banks (3.90 per cent.)

For fiscal 2017, credit to agriculture and allied activities grew by 12.4 per cent. as compared to 15.3 per cent. in fiscal 2016. For the industry sector, the credit contracted by 1.9 per cent. in fiscal 2017 in contrast with an increase of 2.7 per cent. in fiscal 2016. The slowdown within the industry sector was mainly seen in ‘infrastructure’, ‘basic metal and metal products’, ‘textiles’ and ‘food processing’ sub-sectors. Credit to the services sector increased by 19.5 per cent. during fiscal 2017, as compared to 9.1 per cent. during fiscal 2016. Personal loans increased by 16.7 per cent. during fiscal 2016 as compared with an increase of 19.4 per cent. during fiscal 2016. (*Source: RBI Data on Sectoral Deployment of Bank Credit — March 2017*). In fiscal 2016, credit to priority sectors by public and private sector banks was 39.3 per cent. and 44.1 per cent. of adjusted net bank credit or credit equivalent of off-balance sheet exposure, whichever is higher, respectively. (*Source: RBI Annual Report 2016*).

### ***Interest rates and Inflation***

Inflation, as measured by the consumer price index (CPI), evolved through three phases during fiscal 2016. In the early months of 2015, food price pressures stemming from unseasonal rains and subsequently from a delayed onset of the southwest monsoon were mitigated by strong favourable base effects. By July-August 2015, inflation ebbed to an intra-year low of 3.7 per cent., the lowest since November 2014. In the second phase, from September, the base effects dissipated and inflation rose unrelentingly month after month to 5.7 per cent. in January 2016, albeit falling below the target of 6 per cent. set for that month in the medium-term disinflation glide path. In February and March 2016,



i.e., in the third phase, vegetable prices declined. Furthermore, favourable tailwinds from corrections in prices of pulses and downward adjustments in fuel prices pulled down headline inflation to 4.8 per cent. in March 2016. For the year as a whole, inflation averaged 4.9 per cent., down from 5.8 per cent. in the preceding year. (*Source: RBI Annual Report 2016*).

According to the most recently available data, the WPI inflation was projected at 6.55 per cent. for the period February 2016 to February 2017. Further, CPI inflation for the same duration has been 3.65 per cent. (*Source: RBI Bulletin*). Earlier, in response to increased inflation, in fiscals 2011 and 2012, the RBI had increased its policy rates 13 times, enacting gradual increases in the repo rate from 5.00 per cent. on 31 March 2010 to a peak of 8.50 per cent. with effect from 25 October 2011. For fiscal 2016, RBI has cut the repo rate by 25 basis points in June 2015 and 50 basis points in October 2015. The repo rate is currently at 6.25 per cent. The reverse repo rate has been pegged at 0.25 per cent. below the repo rate since 6 April 2017 and thus has followed a similar trend since that time. (*Source: RBI Notifications available at <http://www.rbi.org.in>*.)

### ***Asset quality***

The gross non-performing advances (**GNPAs**) of scheduled commercial banks (**SCBs**) sharply increased to 9.1 per cent. of gross loans and advances from 7.8 per cent. between March 2016 and September 2016. A simultaneous sharp reduction in the restructured standard advances ratio from 6.2 per cent. to 3.9 per cent. during the same period resulted in the overall stressed advances ratio rising marginally to 12.3 per cent. from 11.5 per cent. during the period. Public sector banks continued to hold the highest level of stressed advances ratio at 14.5 per cent., whereas both private sector banks (**PBs**) and foreign banks recorded stressed advances ratios of 4.5 per cent.

The net non-performing advances as a percentage of the total net advances for all SCBs increased considerably to 4.6 per cent. from 2.8 per cent. between September 2015 and March 2016. At the bank group level, the NNPA ratio increased from 3.6 per cent. to 6.1 per cent. for PSBs, from 0.9 per cent. to 1.3 per cent. for PVs and from 0.5 per cent. to 0.8 per cent. for FBs during the same period.

Subsequent to asset quality review, the banking sector GNPAs showed a sharp year on year increase of 79.7 per cent. in March 2016. Large increases were observed across bank groups.

Among major sectors, the industrial sector showed a decline in the stressed advances ratio from 19.9 per cent. to 19.4 per cent. between September 2015 and March 2016, though the GNPA ratio of the sector increased sharply to 11.9 per cent. from 7.3 per cent. Retail loans continued to witness the least stress.

Among the major sub-sectors within the industrial sector, “basic metal and metal products” accounted for the highest stressed advances ratio as at March 2016 followed by “construction” and “textiles”. The stressed advances ratio of the “infrastructure” sector declined to 16.7 per cent. from 21.8 per cent. between September 2015 and March 2016.

In terms of size, loans in the range of Rs.200 million to Rs.500 million recorded the highest slippages at 6.2 per cent. during 2015 based both on the number of accounts and amount outstanding. These were followed by the loans in the range of Rs.500 million to Rs.1,000 million. The overall slippage ratio based on the outstanding amount was 3.2 per cent. (*Source: Financial Stability Report 2016*).

### ***Income and profitability***

During fiscal 2016, profit after tax (**PAT**) declined by 43.0 per cent. during the financial year 2015-16, due to a sharp increase in risk provisions and write-off. Among the bank groups, public sector banks recorded a loss during the year 2015-16 whereas PBs recorded a growth of 11.6 per cent.

in PAT on a year on year basis. SCBs with a share of 37 per cent. in the total assets recorded negative return on assets during the fiscal 2016. Further, banks with a share of 5 per cent. in the total assets recorded return on assets in the range of 0 to 0.25 per cent. Overall, more banks had lower return on assets in fiscal 2016 as compared to fiscal 2015. (Source: *Financial Stability Report 2016*).

## **Recent Structural Reforms**

### ***Amendments to the Banking Regulation Act***

In order to provide greater operational flexibility to the RBI, as the regulator and the authority vested with the powers to conduct monetary policy through the stipulation of the holding of liquid instruments by banks, the Government promulgated the Banking Regulation (Amendment) Ordinance, 2007 (the **Ordinance**) on 23 January 2007, enabling the RBI to specify the SLR without any floor rate. The Ordinance facilitated the removal of the then existing SLR floor of 25.00 per cent., while leaving the ceiling of 40.00 per cent. intact. On 9 March 2007, the Banking Regulation (Amendment) Bill, 2007 was introduced in Parliament seeking to replace the Ordinance and to amend Section 24 of the Banking Regulation Act to enable the RBI to specify the SLR without any floor rate. Changes were also proposed in Section 53 of the Banking Regulation Act to make it mandatory to present draft notification before the Indian Parliament in cases of exemptions being granted to institutions, banks or branches located in special economic zones. The Ordinance has subsequently been repealed and replaced by the Banking Regulation (Amendment) Act, 2007, which received the assent of the President on 26 March 2007 and is deemed to have come into force on 23 January 2007.

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 per cent. 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 per cent. irrespective of its total shareholding and raise the ceiling for voting rights of shareholders of a nationalised bank from 1.00 per cent. to 10.00 per cent.

The Banking Laws (Amendment) Act, 2012 was notified in January 2013.

### ***Legislative Framework for Recovery of Debts due to Banks***

In fiscal 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 per cent. 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). See also *“Supervision and Regulation — Regulations Relating to Sale of Assets to Asset Reconstruction Companies.”*

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 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 Securitisation 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.

### ***Corporate Debt Restructuring Mechanism***

In order to put in place an institutional mechanism for restructuring of corporate debt, the RBI devised the corporate debt restructuring (CDR) system guidelines, which were notified through a circular dated 23 August 2001. Detailed guidelines in this regard were issued on 5 February 2003. The objective of this framework is to ensure a timely and transparent mechanism for the restructuring of corporate debts of viable entities facing problems, outside the purview of the Board for Industrial and Financial Reconstruction, debt recovery tribunals and other legal proceedings. In particular, the framework aims to preserve viable corporates that are affected by certain internal and external factors and to minimise the losses to the creditors and other stakeholders through an orderly and co-ordinated restructuring programme. The CDR system is a non-statutory mechanism and a voluntary system based

on debtor-creditor and inter-creditor agreements. Any lender with an exposure of more than 20.00 per cent. by value, or by a corporate concerned with support of the lender(s) with exposure of more than 20.00 per cent. by value, either in term loan or working capital, may make a reference to the CDR forum.

### ***Evolution of restructuring under CDR***

During February 2003, based on the recommendation of the High Level Group under the Chairmanship of Mr. Vepa Kamesam (the then Deputy Governor of the RBI), the RBI issued new guidelines for the review of the CDR mechanism which provided for two categories of restructuring, namely: (i) standard and sub-standard accounts under Category I; and (ii) doubtful accounts under Category II. The new guidelines also provided that additional exposure as a part of the restructuring process was not to be binding on lenders in the case of Category II accounts and furthermore, for the first time, a debt to equity conversion provision was also introduced. In Category-I CDR cases, if a creditor who is outside the minimum 75.00 per cent. of value and 60.00 per cent. in number threshold for any internal reason does not wish to commit additional finance, then that creditor can either:

(a) arrange for its share of additional finance to be provided by a new or existing creditor; or (b) agree to the deferment of the first year's interest due to it after the CDR package becomes effective. The first year's deferred interest, without compounding, will be payable with the last instalment of the principal due to the creditor.

Thereafter the guidelines were further reviewed by a special group under the Chairmanship of Mrs. S. Gopinath (the then Deputy Governor of the RBI) and revised guidelines were issued in November 2005. The revised guidelines lowered the eligibility ceiling of accounts in terms of exposure, from the then existing limit of Rs.200 million to Rs.100 million. Other major changes included: (i) providing for the concept of "super majority", by which decisions could be taken only if 75.1 per cent. of the lenders by value, and 60.00 per cent. of the lenders by number, agreed to a proposition; (ii) the concept of asset classification prevailing on the date of reference was linked to the implementation of a package within a period of four months from the date of approval of such package; and (iii) a mandate that additional finance requirements be shared by both term lenders and working capital lenders, on a pro-rata basis. Furthermore, the revised guidelines provided that borrowers classified as willful defaulters may be restructured with the approval of the Core Group. In addition, the guidelines also delegated the authority of the approval of CDR packages to the CDR Empowered Group and the RBI retained the authority to issue broad guidelines.

During August 2008, based on the recommendations of the working group constituted to review and align the existing guidelines on restructuring of advances (other than under a CDR mechanism) in line with the provisions under the revised CDR mechanism, new guidelines were issued. These guidelines prescribed that accounts of borrowers engaged in important business activities and classified as standard assets may retain their standard asset classification on restructuring subject to certain conditions.

Based on the recommendations of the working group constituted by the RBI in January 2012, under the chairmanship of Mr. B. Mahapatra (the then Executive Director of the RBI), the RBI by its letter dated 18 February 2013 withdrew the special dispensation provision in relation to the second restructuring of CDR accounts, such that if any account is further rescheduled or rephased, it would not result in a reduction in the present value of principal plus interest cash flows and would not be treated as a second restructuring, provided the existing credit facilities continue to be fully secured.

On 30 May 2013, based on the recommendations of the Mahapatra Committee, the prudential guidelines on the restructuring of advances by banks and FIs were revised, the major changes being:

- the extant asset classification benefits available on restructuring on fulfilment of certain conditions will be withdrawn for all restructurings effective from 1 April 2015, with the exception of provisions relating to changes in the date of commencement of commercial operation in respect of infrastructure as well as non-infrastructure projects;
- an increase in general provision on restructured standard advances from 2.00 per cent. to 5.00 per cent. in a phased manner;
- to upgrade a restructured account, the specified period will be redefined as a period of one year from the commencement of the first payment of interest or principal, whichever is later, on the credit facility with the longest period of moratorium under the terms of the restructuring package;
- a unit designated for restructuring should achieve viability in eight years, if it is engaged in infrastructure activities, and in five years in all other cases;
- promoters' sacrifice and additional funds brought by them should be a minimum of 20.00 per cent. of the bank's sacrifice or 2.00 per cent. of the restructured debt, whichever is higher. The promoters' sacrifice should invariably be brought upfront while extending the restructuring benefits to the borrowers;
- the conversion of debt into preference shares should be made as a last resort and such conversion of debt into equity or preference shares should, in any case, be restricted to a cap (for example, 10.00 per cent. of the restructured debt). Conversion of debt into equity should be done only in the case of listed companies;
- promoters' personal guarantee should be obtained in all cases of restructuring and corporate guarantee cannot be accepted as a substitute for personal guarantee; and
- all restructuring packages must incorporate a "right to recompense" clause and it should be based on a certain performance criteria of the borrower. In any case, a minimum of 75.00 per cent. of the recompense amount should be recovered by the lenders and in cases where some facility under restructuring has been extended below base rate, 100.00 per cent. of the recompense amount should be recovered.

### **Recent CDR Initiatives**

In a continuous process of streamlining and updating the CDR procedures and giving clarity to various issues, CDR has recently issued the following guidelines after approval from the Core Group:

- for the reckoning of "restructured debt" for the purposes of calculating promoter contribution, the total outstanding amount under fund-based and non-fund-based facilities as on a cut-off date (**COD**) should be considered. The term "upfront" in relation to promoter contribution shall mean within a period of 120 days from the date of approval of the package by the Empowered Group;
- the minimum promoters' contribution in all cases would be 25.00 per cent. of lenders' sacrifice or 2.00 per cent. of the restructured debt, whichever is higher. However, since regulatory guidelines state a contribution of 20.00 per cent. of lenders' sacrifice or 2.00 per cent. of restructured debt, a contribution beyond this amount may be permitted within a period of one year from the date of approval of the package;
- a 10.00 per cent. cap for conversion of debt to equity introduced by the RBI on 30 May 2013 applies to upfront conversion only. Existing conditions regarding the right to future

conversion, namely: (i) the right to convert the entire amount of the funded interest term loan/working capital term loan at any time during the currency of the CDR package; and (ii) the right to convert into equity up to 20.00 per cent. of the term debt outstanding beyond seven years, is beyond this cap of 10.00 per cent.;

- flash reports should invariably contain complete details of the promoters' shareholding and the names of all promoters and should specify the promoters whose personal or corporate guarantees are stipulated;
- lenders need to ensure a pledge of promoters' shareholding and the execution of personal and corporate guarantees before the implementation of an approved package. As regards the creation of other security, since it is not a condition precedent to the implementation of a package, lenders need not approach the CDR for an extension of time but should be guided by their internal guidelines;
- a holistic view of the borrower group should be taken in all cases where the borrower has more than one company. The flash report should indicate the exposure to group/associate companies, strength of management, financial position of the group, total group net worth, equity commitments and cash flows;
- corporate guarantees given by corporate borrowers in favour of their subsidiaries or group companies are to be mentioned and discussed and their likely impact to be explored in the final package;
- final reports should clearly indicate whether or not the amounts paid by the borrower post COD towards the servicing of debt would be refunded and lenders should invariably adhere to the treatment indicated for such amounts;
- lenders should not levy any charges other than those specified in the CDR Master Circular issued by the CDR cell on 9 January 2013. A processing fee may be levied only on additional exposure by way of a term loan or working capital. In the case of working capital facilities, additional exposure for the purposes of a processing fee would be any amount assessed in excess of sanctioned limits as on the COD;
- all lenders to send clear mandates well in time so that minutes may be finalised within seven working days from the date of any meeting;
- all lenders to implement the CDR package once it is approved and all legal cases to be withdrawn;
- monitoring institutions (MIs) to review all cases where terms of approval have not been complied with beyond a period of 120 days from the date of approval and accordingly to inform the Empowered Group; and
- MIs to review compliance of the condition regarding the publication of the recompense amount by the borrowers in their audited financials and accordingly to inform the Empowered Group.

### ***Framework for Recognition of Financial Distress***

In February 2014, the RBI announced the "Framework for Revitalising Distressed Assets in the Economy". The framework outlines a corrective action plan to incentivise the following:

- early identification of problem cases;
- timely restructuring of accounts to be viable;



- prompt steps for recovery or sale of unviable accounts;
- centralised 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.

### **5/25 Scheme for Infrastructure Sector**

In a big boost for the infrastructure sector, in July 2014, the RBI introduced a long-term flexible refinancing and repayment option scheme where the exposure of a lender is more than Rs.5 billion. The scheme allows banks to extend long-term loans of 20-25 years to match the cash flow of infrastructure projects, with an option of refinancing them every five to seven years.

### **Strategic Debt Restructuring Scheme by Joint Lenders Forum (JLF)**

In June 2015, the RBI introduced the Strategic Debt Restructuring Scheme by converting loans due to equity shares by JLFs. The main features of this scheme were as follows:

- the possibility of transferring equity of the company by promoters to the lenders to compensate for their losses;
- promoters infusing more equity into their companies;
- transfer of the promoter's holding to a security trustee or an escrow arrangement until turnaround of the company;
- during the initial restructuring, the JLF must include conditions to the restructured loan agreed with the borrower, an option to convert the entire loan (including unpaid interest) or part thereof into shares into the company in the event the borrower is not able to achieve the liability milestone and/or adhere to "critical conditions" as stipulated in the restructuring package; and
- the decision should be documented and approved by the majority of the JLF members (a minimum of 75 per cent. of creditors by value and 60 per cent. of creditors by number).

### ***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 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 1 July 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 stabilise the system of base rate calculation, banks were permitted to change the benchmark and methodology until 30 June 2011.

On 17 December 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 1 April 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 highlights of the guidelines are as follows:

1. all rupee loans sanctioned and credit limits renewed with effect from 1 April 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 7 April 2015. The RBI decided to keep the reverse repo rate under the liquidity adjustment facility (**LAF**) unchanged at 7.5 per cent., and the marginal standing facility (**MSF**) rate and the Bank Rate at 9.0 per cent.; consequently, the reverse repo rate under the LAF remained unchanged at 6.5 per cent., and the MSF rate and the Bank Rate stood at 8.5 per cent.

The second bi-monthly Monetary Policy Statement 2015-16 was announced on 2 June 2015 under which the RBI with immediate effect reduced the policy rate under the LAF by 25 basis points to 7.25 per cent.; continued to provide liquidity under overnight repos at 0.25 per cent. 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 per cent. 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 per cent., and the MSF rate and the Bank Rate stood at 8.25 per cent.

The third bi-monthly Monetary Policy Statement 2015-16 was announced on 4 August 2015 under which the RBI decided to keep the policy rate under LAF unchanged at 7.25 per cent.; keep the CRR of scheduled banks unchanged at 4.0 per cent. of NDTL; continued to provide liquidity under overnight repos at 0.25 per cent. 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 per cent. 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 per cent., and the MSF rate and the Bank Rate at 8.25 per cent.

The fourth bi-monthly Monetary Policy Statement 2015-16 was announced on 29 September 2015 under which the RBI decided to reduce the policy repo rate under the LAF by 50 basis points from 7.25 per cent. to 6.75 per cent.; keep the CRR of scheduled banks unchanged at 4.0 per cent. of NDTL; continued to provide liquidity under overnight repos at 0.25 per cent. 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 per cent. 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 per cent., and the MSF rate and the Bank Rate to 7.75 per cent.

The fifth bi-monthly Monetary Policy Statement 2015-16 was announced on 1 December 2015. The RBI decided to keep the policy repo rate under the LAF unchanged at 6.75 per cent.; keep the CRR of scheduled banks unchanged at 4.0 per cent. of NDTL; continued to provide liquidity under overnight repos at 0.25 per cent. 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 per cent. 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 per cent., and the MSF rate and the Bank Rate stood at 7.75 per cent.

The sixth bi-monthly Monetary Policy Statement 2015-16 was announced on 2 February 2016. The RBI decided to keep the policy repo rate under the LAF unchanged at 6.75 per cent.; keep the CRR of scheduled banks unchanged at 4.0 per cent. of NDTL; continued to provide liquidity under overnight repos at 0.25 per cent. 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 per cent. 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 per cent., and the MSF rate and the Bank Rate stood at 7.75 per cent.

## **Monetary Policy Statement for 2016-17**

### ***First Bi-Monthly Monetary Policy Statement for Fiscal 2017 held on 5 April 2016***

#### *Monetary and Liquidity Measures*

- Reduced the policy repo rate under the LAF by 25 basis points from 6.75 per cent. to 6.5 per cent.
- CRR remained unchanged at 4 per cent. Reduced the minimum daily cash maintenance of CRR from 95 per cent. to 90 per cent. with effect from the fortnight beginning 16 April 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 per cent., the Bank Rate at 7 per cent. and the reverse repo rate under the LAF at 6 per cent.
- The liquidity provided under term repos of 7-day and 14-day tenor remained unchanged at 0.75 per cent. of NDTL of the banking system while liquidity provided under overnight repos remained unchanged at 0.25 per cent. of bank-wise NDTL.
- Reduced the SLR by 25 basis points from 21.5 per cent. to 21 per cent. of the NDTL.
- Introduced MCLR for improving monetary policy transmission.

### ***Second Bi-Monthly Monetary Policy Statement for Fiscal 2017 held on 7 June 2016***

#### *Monetary and Liquidity Measures*

- The policy repo rate under the LAF remained unchanged at 6.5 per cent.
- The MSF rate, Bank Rate and reverse repo rate remained unchanged at 7 per cent., 7 per cent. and 6 per cent., respectively.
- The liquidity provided under term repos of 7-day and 14-day tenor remained unchanged at 0.75 per cent. of NDTL of the banking system while liquidity provided under overnight repos remained unchanged at 0.25 per cent. of bank-wise NDTL.

### ***Third Bi-Monthly Monetary Policy Statement for Fiscal 2017 held on 9 August 2016***

#### *Monetary and Liquidity Measures*

- The policy repo rate under the LAF remained unchanged at 6.5 per cent.
- The MSF rate remained unchanged at 7 per cent., the Bank Rate at 7 per cent. and the reverse repo rate under the LAF at 6 per cent.
- The liquidity provided under term repos of 7-day and 14-day tenor remained unchanged at 0.75 per cent. of NDTL of the banking system while liquidity provided under overnight repos remained unchanged at 0.25 per cent. of bank-wise NDTL.

### ***Fourth Bi-Monthly Monetary Policy Statement for Fiscal 2017 held on 4 October 2016***

#### *Monetary and Liquidity Measures*

- Reduced the policy repo rate under the LAF by 25 basis points from 6.5 per cent. to 6.25 per cent. with immediate effect.
- CRR of scheduled banks remained unchanged at 4.0 per cent. of NDTL.
- Continued to provide liquidity under overnight repos at 0.25 per cent. 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 per cent. 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 per cent., and the MSF rate and the Bank Rate to 6.75 per cent.
- SLR adjusted to 20.75 per cent. from 21 per cent. with effect from 1 October 2016.

### ***Fifth Bi-Monthly Monetary Policy Statement for Fiscal 2017 held on 7 December 2016***

#### *Monetary and Liquidity Measures*

- Policy repo rate under the LAF unchanged at 6.25 per cent.
- CRR of scheduled banks unchanged at 4.0 per cent. of NDTL.
- Continued to provide liquidity under overnight repos at 0.25 per cent. 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 per cent. 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 per cent., and the MSF rate and the Bank Rate at 6.75 per cent.
- Withdrew the incremental CRR of 100 per cent. of increase in NDTL which was introduced between 16 September 2016 and 11 November 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 2017 held on 8 February 2017*

### *Monetary and Liquidity Measures*

- Policy repo rate under the LAF unchanged at 6.25 per cent.
- CRR of scheduled banks unchanged at 4.0 per cent. of NDTL.
- Continue to provide liquidity under overnight repos at 0.25 per cent. 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 per cent. 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 per cent., and the MSF rate and the Bank Rate at 6.75 per cent.

### **Monetary Policy Statement for 2016-17**

#### *Monetary and Liquidity Measures*

- Policy repo rate under the LAF unchanged at 6.25 per cent.
- CRR of scheduled banks unchanged at 4.0 per cent. 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 per cent. MSF rate and Bank Rate have been reduced by 25 bps to 6.50 per cent.

### **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 per cent. by the end of fiscal 1995 and 8.0 per cent. 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 liberalisation 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 per cent. of public deposits since April 1999. From 1 January 2000, the requirement should not be less than 10.0 per cent. 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 per cent. 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 cent. per annum to 11.0 per cent. per annum effective 4 March 2003. Effective 24 April 2007, the maximum rate of interest on public deposits accepted by non-banking financial companies was increased to 12.5 per cent. 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 rationalise 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 per cent. of their net owned funds.

In the monetary and credit policy for fiscal 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 21 April 1999. In this regard, draft guidelines were introduced on 21 May 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 2002, the procedures for foreign direct investment in NBFCs were substantially liberalised.

During fiscal 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 harmonising 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 11 May 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 liberalisation of the existing procedures, it was decided to permit the IFCs to avail of ECBs, including the outstanding ECBs, up to 50.0 per cent. 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 per cent. 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 per cent. 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 per cent. of its aggregate risk-weighted assets on balance sheet and risk adjusted value of off-balance sheet items with effect from 31 March 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 (NOF) of Rs.20 million by the end of March 2017 in a phased manner, with a minimum NOF of Rs.10 million by March 2016 and Rs.20 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 liquidity coverage ratio (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 2 May 2012. These guidelines were scheduled to be implemented on 1 January 2013 in a phased manner and were scheduled to be fully implemented on 31 March 2018. Subsequently, the implementation date for Basel III capital regulations was changed to 1 April 2013 from 1 January 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 standardised approach (being the standardised 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 2014, the Bank made concurrent qualified institutional placements and a public offering of American depository 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**

RBI on 17 July 2014 issued draft guidelines for the licensing of payment banks and on 27 November 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 labour workforce, low income households, small businesses, other unorganised 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 at the date of this Offering Circular, of the 11 payment banks, three applicants had surrendered their payment bank licences.

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 unorganised 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 per cent. and shall gradually be brought down to 26 per cent. 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 per cent. of their ANBC to the sectors eligible for classification as PSL by the RBI.
- At least 50 per cent. 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, etc.

***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 per cent. 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 per cent. 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 per cent., 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 per cent. 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.

## 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 1 April 2013. However, the reform package and guidelines will be implemented in a phased manner. On 31 December 2013, the RBI further extended the implementation of credit valuation adjustment risk to 1 April 2014, and, on 27 March 2014, extended the deadline for full implementation of Basel III requirements to 31 March 2019. (*Source: RBI Circular DBOD.No.BP.BC.81/21.06.201/2013-14 dated 31 December 2013 and RBI Circular DBOD.No.BP.BC.102/21.06.201/2013-14 dated 27 March 2013.*)

Under Basel III, the total capital of a bank in India must be at least 9.00 per cent. of RWAs (8.00 per cent. as specified by the BCBS), Tier I capital must be at least 7.00 per cent. of RWAs (6.00 per cent. as specified by the BCBS) and Common Equity Tier I capital must be at least 5.50 per cent. of RWAs (4.50 per cent. 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 per cent. of RWAs. Under the RBI Basel III Guidelines, total capital with CCB has been fixed at 11.50 per cent. of RWAs. In July 2014, the RBI released the "Final Report of the Internal Working Group on Implementation of Counter-cyclical Capital Buffer (CCCB)", which requires banks to maintain a buffer of up to 2.5 per cent. 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 per cent. during a parallel run period from 1 January 2013 to 1 January 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 per cent. Banks whose leverage is below 4.50 per cent. have been advised to achieve this target as early as possible. This leverage ratio requirement is yet to be finalised and will be finalised 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 per cent. as at 1 January 2015, increasing in equal annual steps to 100 per cent. by 1 January 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 per cent. 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 1 January 2013, and their recognition will be capped at 90.00 per cent. from 1 April 2013, with the cap reducing by 10.00 per cent. points in each subsequent year.

On 31 August 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 31 March 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 per cent. and 0.2 per cent. respectively. The CET1 requirements applicable to D-SIBs will be applicable from 1 April 2016 in a phased manner and would become fully effective from 1 April 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 standardised 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 30 March 2012.*)

The RBI, in its circular dated 30 March 2015, has decided that, as a countercyclical measure, a bank may utilise up to 50 per cent. of the countercyclical provisioning buffer/floating provisions held by it as at 31 December 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 26 February 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 emphasises 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 utilise the same during a downturn.

The Master Direction issued by the RBI on 12 May 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 categorisation 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 per cent. 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 22 February 2013 guidelines on the licensing of universal banks at 15 per cent.;

- in the case of entities from the financial sector, other than regulated or diversified or listed, the limit shall be 15 per cent. 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 per cent. 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.

During fiscals 2015 and 2016, NPAs rose. The slippage ratio of the banking system, which showed a declining trend during fiscals 2005 to 2008, further increased during fiscals 2009 to 2016. Banks need to not only utilise effectively the various measures put in place by the RBI and the Government for the resolution and recovery of bad loans, but also strengthen their due diligence, credit appraisal and post sanction loan monitoring systems to minimise and mitigate the problem of increasing NPAs in fiscal 2017 and beyond.

Furthermore, the Government has cleared an ordinance to amend the Banking Regulation Act to empower the RBI to push banks to drive insolvency against defaulters and to set up oversight committees to approve various loan resolution packages. This is effective immediately but will need the approval of Parliament in July 2017. This is an important first-step in the resolution of stressed loans by leveraging the RBI’s position and offering bankers immunity against investigations.

## REGULATION AND SUPERVISION

*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.*

The main legislation governing commercial banks in India is the Banking Regulation Act. The provisions of the Banking Regulation Act are in addition to and not, unless expressly stated otherwise therein, in derogation of any other law for the time being in force. The Bank has been constituted and is governed by the provisions of the SBI Act. Other important laws governing banks include the RBI Act, the Negotiable Instruments Act, 1881, the FEMA and the Banker's Books Evidence Act, 1891 ("**Banker's Books Evidence Act**"). The Bank is a scheduled commercial bank according to the provisions of the RBI Act. Additionally, the RBI periodically issues guidelines, regulations, policies, notifications, press releases and circulars, which the Bank is required to follow. The RBI supervises the Bank's compliance with these guidelines.

### **The State Bank of India Act, 1955**

The Bank was 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 Bank 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 Bank, give it.

The Bank is managed by the Central Board, which consists of the Chairman and Managing Directors appointed by the Government under the SBI Act, elected directors of the shareholders and nominees from the RBI and the Government, as well as other nominee directors appointed by the Government from among persons having expert knowledge of cooperative institutions, rural economy and industry, banking, and finance.

According to the SBI Act, the Bank must act as an agent of the RBI if requested to do so by the RBI. Further, the accounts of the Bank must be audited by external statutory auditors appointed by the RBI. If the Government desires, it may appoint additional auditors to examine and report on the Bank's accounts. Also, according to Section 45 of the SBI Act, the provisions of law relating to the winding up of companies do not apply to the Bank and the Bank 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) Ordinance 2007 and the State Bank of India (Amendment) Act 2007 to affect a total transfer of the RBI's shareholding of the Bank 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 enable the Bank to access capital markets. Some salient features of the SBI Act, after the effect of this amendment, are as follows:

- (a) the Bank may raise capital through the issue of preference shares by public issue, rights issue, preferential allotment or private placement;

- (b) the authorized share capital of the Bank is increased to Rs.50 billion, divided into 5 billion fully paid up shares of Rs.10 each. With effect from November 21, 2014, the Central Board, through the Notification No. ADVT 111/4/EXTG/39/14 dated October 28, 2014, reduced the face value of the Bank's shares to Rs.1 each;
- (c) the Government's minimum required shareholding of the Bank's issued capital is reduced from 55% to 51%;
- (d) the Government, in consultation with the RBI, may direct the Bank to issue bonus shares to existing equity shareholders;
- (e) the exercise of voting rights by preference shareholders is restricted to resolutions directly affecting the rights of preference shareholders;
- (f) the voting rights of preference shareholders other than the Government are restricted to a ceiling of 10% of the total voting rights of all shareholders holding only preference share capital;
- (g) the Government, in consultation with the RBI, may appoint up to four Managing Directors to the Central Board;
- (h) the RBI may appoint additional directors whenever necessary in the interest of banking policy;
- (i) the Government may supersede the Central Board in certain cases on the recommendation of the RBI, and may appoint an interim administrator for a period not exceeding 12 months;
- (j) the Bank may accept installment payments, make calls, and forfeit and re-issue unpaid shares;
- (k) a person registered as a holder in his own right of unencumbered shares in the Bank, either as sole holder or as first named holder when jointly held, of a nominal value of at least five thousand Rupees can contest an election for a directorship of the Bank; and
- (l) the Bank may transfer any unpaid or unclaimed dividends to the 'unpaid dividend account' after 30 days and to the 'Investor Education and Protection Fund' after 7 years.

### **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 Bank on June 29, 2007 and is the Bank's promoter with a shareholding of approximately 60.18%. The SBI Act provides that the Government shall not hold less than 60.18% of the Bank's equity shares. As the Bank's promoter, the Government has effective control over the affairs of the Bank. The Government's ownership of the Bank's share capital has decreased from 62.31% to 58.60% as of March 31, 2013 as a result of a preferential allotment of equity shares of Rs.20.0 billion (including premium), on January 20, 2014 and a QIP to qualified institutional buyers of Rs.80.32 billion (including premium) on February 3, 2014. The rest is held by institutions (including foreign institutions) and individual investors.

## ***Statutory powers of the Government over SBI***

Because the Bank was created by statute, it does not have articles of association. However, under the SBI Act, the Government has been given rights and powers typically given to shareholders under typical corporate structures. For example, the Government has the power to increase or reduce the authorized capital of the Bank. The SBI Act also provides that no shareholder other than the Government shall be entitled to exercise voting rights in respect of any shares held in excess of 10.0% of the Bank's issued share capital. See "*Regulation and Supervision — Framework for dealing with Domestic Systemically Important Banks.*" This framework deals with those banks which, due to their size, cross-jurisdictional activities, complexity, lack of substitutability and interconnectedness, become systemically important. The disorderly failure of these banks has the potential to cause significant disruption to the essential services they provide to the banking system, and in turn, to overall economic activity. Therefore, the continued functioning of Systemically Important Banks (SIBs) is critical for the uninterrupted availability of essential banking services to the real economy.

## ***The RBI and its regulations***

The SBI Act and its related rules and regulations provide the Government and the RBI with certain additional rights which may be used to influence the affairs of the Bank. For instance, the SBI Act expressly provides that the Bank 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 Bank, provide. In addition, although the Bank'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 as well as nominees from the Government. Further, the Government also nominates a director, on the recommendation of RBI, to the Central Board, under Section 19(f) of the SBI Act; the Chairman and a maximum of four Managing Directors are directly appointed by the Government in consultation with the RBI. The Government has the power to remove any director from the Central Board. See "*Regulation and Supervision — The RBI and its regulations.*"

## ***The Government and the RBI as regulator***

The Government and the RBI regulate the banking sector. In particular, the RBI has authority to issue instructions and notifications, which are typically broad in scope, thereby giving the RBI considerable latitude over banks in general, including the Bank. Pursuant to such instructions and notifications, the RBI defines the scope of the Bank's activities and otherwise controls many factors affecting the Bank's competitive position, operations and financial condition. It also has the power to license new banks which may compete with the Bank. See "*Regulation and Supervision — The RBI and its regulations.*"

## ***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 Government and state governments. The Bank also transacts a significant portion of the banking needs of PSEs. The Government, PSEs and the various state governments transact business with the Bank on a regular basis. As of March 31, 2015 the Bank's loan portfolio to food credit aggregated to Rs.224.8 billion in the form of loans to the Government and state governments for procurement and sale of food. It is the policy of the Bank not to enter into any transaction with PSEs unless the terms are no less favorable than those which would have been obtained by the Bank in the normal course of business.

## ***The State Bank of India (Subsidiary Banks) Act, 1959***

The State Bank of India (Subsidiary Banks) Act, 1959 ("**SBI (Subsidiary Banks) Act**") was enacted to provide for the formation of certain Government or Government associated banks as subsidiaries of the Bank and for the constitution, management and control of the subsidiary banks so formed. The Lok Sabha has passed a Bill nomenclatured "The State Banks (Repeal and Amendment)

Bill 2017” that will pave the way for the repeal of the State Bank of India (Subsidiary Banks) Act, 1959 and the State Bank of Hyderabad Act, 1956. The repeal of these two laws is necessary in the wake of all the subsidiary banks of SBI and the State Bank of Hyderabad getting consolidated into the State Bank of India from April 1, 2017. The bill is yet to be passed by the Rajya Sabha.

### ***Restrictions on Investments in a Single Company***

A bank may hold shares in a subsidiary company in accordance with the provisions of the Banking Regulation 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, 2014, provides the framework for banks’ investments in companies which are not subsidiaries. The RBI has released a further circular concerning “Para Banking Activities” dated July 1, 2015. The purpose of this circular is to ensure that banks adopt adequate safeguards and that the financial services or para-banking activities undertaken by them are run on sound and prudent lines.

Investments by banks in companies which are not subsidiaries are governed by Section 19(2) of the Banking Regulation Act. As set out in section 19(2) of the Banking Regulation Act, no banking company shall hold shares in any company, whether as pledgee, mortgagee or absolute owner of an amount exceeding 30.00% of the paid-up share capital of that company, or 30.00% of its own paid up share capital and reserves, whichever is less, except as statutorily provided.

### **Recent developments**

#### ***The Banking Laws (Amendment) Act, 2012***

The Banking Laws (Amendment) Act, 2012 (“**Amendment Act**”), was notified in the official gazette on January 7, 2013. It amends certain provisions of the Banking Regulation Act, 1949, the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980. The Amendment Act enhances the regulatory power of the RBI and increase the access of nationalized banks to the capital markets by issue of bonus shares and rights issues to raise funds for expansion. The Amendment Act enables nationalized banks to increase or decrease the authorized capital with the approval of the Government and the RBI without being limited by the ceiling of a maximum of Rs.30 billion. The Amendment Act also raises the ceiling on voting rights of shareholder of nationalized banks from 1% to 10% and for other banks from 10.00% to 26.00%.

In addition, the Amendment Act confers power upon the RBI to impose, and to require the satisfaction of, any conditions it deems necessary before granting approval for acquisitions of 5% or more of share capital of a banking company. It makes provisions to ensure that the control of banking companies is in the hands of fit and proper persons, and makes it mandatory to obtain approval from the RBI to acquire 5% or more of share capital of a banking company.

Moreover, the Amendment Act confers power upon the RBI to call for information and returns from the associate enterprises of banking companies and to inspect the same, if necessary. It further confers power upon the RBI to supersede the board of directors of a banking company for such period not exceeding 12 months and appoint an administrator to manage the banking company during the said period.

The Amendment Act also provides for primary co-operative societies to carry on the business of banking only after obtaining a license from the RBI. Apart from the above, the Amendment Act also confers power to the RBI to levy penal interest in case of non-maintenance of CRR.

The Repealing and Amending (Second) Act, 2015 has repealed the Banking Laws (Amendment) Act, 2012. However, the repeal does not affect changes incorporated into the Banking Regulation Act, 1949.



### ***Repeal of Sick Industrial Companies Act, 1985 (“SICA”),***

The SICA has been repealed after the Sick Industrial Companies (Special Provisions) Repeal Act, 2004 was notified by the Government in the official gazette. The SICA provided for the referral of sick industrial companies to the BIFR. Under the SICA, a scheduled bank (where it had an interest in a sick industrial company through financial assistance or an obligation rendered by it or undertaken by it) could refer the company to the BIFR, though this did not apply to the board of directors of BIFR.

### ***Enforcement of Security Interest and Recovery of Debts Laws (Amendment) Act, 2012 and Enforcement of Security Interest and Recovery of Debts Laws (Amendment) Act, 2016***

Historically, banks and financial institutions in India faced numerous obstacles in the recovery of defaulted loans, mainly due to delays in the disposal of recovery proceedings. The Government, therefore, enacted the Recovery of Debts Due to Banks and Financial Institutions Act, 1993 and the SARFAESI Act for the purpose of expediting recovery on NPAs of banks and financial institutions. Although these two acts have helped in reducing NPAs, banks have presented further suggestions for strengthening secured creditor rights, which has led to the notification of the Enforcement of Security Interest and Recovery of Debts Laws (Amendment) Act, 2012 in the official gazette on January 4, 2013.

The amendments will enable banks to improve their operational efficiency and to deploy more funds for credit disbursement to retail investors, home loan borrowers, etc. without fearing non-recovery, thus bringing about equity. Further, mandatory registration of subsisting security interests (e.g., equitable mortgages) would promote innovation in credit information.

The amendments are expected to strengthen the ability of banks to recover debts due from borrowers, enhance the ability of the banks to extend credit to both corporate and retail borrowers, reduce the cost of funds for banks and their customers and reduce the level of NPAs.

Subsequently, to further strengthen the debt recovery system, the Enforcement of Security Interest and Recovery of Debts Laws (Amendment) Act, 2016 was notified on August 12, 2016. The amendment seeks to amend four legislations: (i) the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (“**SARFAESI**”), (ii) the Recovery of Debts due to Banks and Financial Institutions Act, 1993 (“**RDDDBFI**”), (iii) the Indian Stamp Act, 1899, and (iv) the Depositories Act, 1996. The recent amendment modifies the SARFAESI to include, *inter alia*, an unpaid portion of the purchase price of any tangible asset given on hire or financial lease or conditional sale or under any other contract, in the definition of “Debt”. The term “Default” under the SARFAESI has been amended to include non-payment on account of debt securities listed in accordance with the SEBI regulations. The ambit of “Security Interest” has been widened and gives the RBI the right to audit and inspect an asset reconstruction company. Under the amendment, the Government is empowered to integrate the registration records under various enactments such as the Companies Act, 2013, the Registration Act, 1908, the Merchant Shipping Act, 1958, the Motor Vehicles Act, 1988, the Patents Act, 1970 and the Designs Act, 2000, with the records of Central Registry established under section 20 of the SARFAESI Act. Pursuant to the amendment, under the RDDDBFI, banks are allowed to file their cases in debt recovery tribunals having jurisdiction over the area of the bank’s branch where the debt is pending, instead of filing cases in tribunals having jurisdiction over the defendant’s area of residence or business. It also makes provision for the electronic filing of, among others, recovery applications, documents and written statements in relation to the security or the borrower.

## *Financial Stability and Development Council and Financial Sector Legislative Reforms Commission*

Pursuant to the announcements in the Union Budget 2010-11, the Government set up an apex level body called the Financial Stability and Development Council (“**FSDC**”) in December 2010. The FSDC is headed by the Finance Minister with chiefs of all major regulatory bodies along with some key finance ministry officials as members. The FSDC deals with issues relating to financial stability, financial sector development, inter-regulatory coordination, financial literacy, financial inclusion, macro prudential supervision of the economy (including the functioning of large financial conglomerates), and coordinating India’s international interface with financial sector bodies like the Financial Action Task Force and Financial Stability Board, among others.

In pursuance of the announcement made in Union Budget 2010-11, the Government set up a Financial Sector Legislative Reforms Commission (“**Commission**”) in March 2011 under the chairmanship of Justice B. N. Srikrishna to review the financial sector laws and bring them in line with the requirements of the sector. The Commission submitted its report to the Ministry of Finance on March 22, 2013, containing an analysis of the current regulatory architecture and a draft financial code to replace the bulk of the existing financial laws. The draft code is non-sectoral and principles-based and addresses the following nine components: (i) consumer protection; (ii) micro-prudential regulation; (iii) resolution; (iv) capital controls; (v) systemic risk; (vi) development and redistribution; (vii) monetary policy; (viii) public debt management; and (ix) contracts, trading and market abuse. The draft code also seeks to move away from the current sector-based regulation to a system where the RBI regulates the banking and payments system and a Unified Financial Agency subsumes existing regulators like SEBI, Insurance Regulatory and Development Authority of India (“**IRDAI**”), Pension Fund Regulatory and Development Authority (“**PFRDA**”) and Forward Markets Commission (“**FMC**”), which in September 2015 was merged with SEBI, to regulate the rest of the financial markets. In March 2013 the regulators signed a memorandum of understanding to cooperate in the field of consolidated supervision and monitoring of financial conglomerates. In May 2014, a Report on the ‘Working Group on Resolution Regime for Financial Institutions’ was placed on the website of the Ministry of Finance for public comments.

### *Guidelines issued by the RBI for licensing of new private sector banks*

In February 2013, the RBI issued guidelines on the entry of new banks in the private sector, specifying that select 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 promote banks. The initial minimum capital requirement for these entities is Rs.5.00 billion, with foreign shareholding not exceeding 49.00% for the first five years. The business plan for the bank should cover a realistic plan for achieving financial inclusion. The new banks can be set up only through a non-operative financial holding company registered with the RBI.

The RBI released the final guidelines for the licensing of new banks in the private sector on February 22, 2013. In preparing these guidelines, the RBI has recognized the need for an explicit policy on the banking structure in India in line with the recommendations of the Narasimham Committee, the Raghuram Rajan Committee and others. Accordingly, the RBI released an overall policy discussion paper on banking structure in India on August 27, 2013. The RBI assessed the quantitative and qualitative aspects of the applicants according to the guidelines, and examined each applicant under a “fit and proper” status. The RBI also consulted the Election Commission, given that the Code of Conduct for the forth coming elections was in force. After the Election Commission consented, the RBI, on April 2, 2014, granted “in-principle” approval to two applicants, namely, IDFC Limited and Bandhan Financial Services Private Limited.

The RBI also issued guidelines in November 2014 on the entry of “Small Finance Banks” and “Payments Banks” in 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. Between 2015 and 2016, the RBI is likely to issue new bank licenses to

“Small Finance Banks” and “Payments Banks” in the private sector, which will provide an impetus to financial inclusion, is expected to intensify competition in the banking sector in medium term. On February 4, 2015, by way of a press release, the RBI announced an external advisory committee for evaluating applicants of “Small Finance Banks and “Payments Banks”. The RBI also released the names of the applicants of “Small Finance Banks” and “Payments Banks”.

### ***RBI Guidelines for licensing of payments banks***

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.

By way of a Press Release dated November 27, 2014 issued by RBI, it was stated that the objective of setting up of payments banks was to further financial inclusion by providing (i) small savings accounts and (ii) payments/remittance services to migrant labor workforce, low income households, small businesses, other unorganized sector entities and other users. The scope of activities sought be carried out by payments banks can be delineated as follows:

- (a) Acceptance of demand deposits. Payments bank will initially be restricted to holding a maximum balance of Rs.100,000 per individual customer.
- (b) Issuance of ATM/debit cards. Payments banks, however, cannot issue credit cards.
- (c) Payments and remittance services through various channels.
- (d) Business Correspondents (“BCs”) of another bank, subject to the Reserve Bank guidelines on BCs.
- (e) Distribution of non-risk sharing simple financial products like mutual fund units and insurance products, etc.

### ***RBI Guidelines for licensing of small finance banks in the private sector***

By way of a Press Release dated November 27, 2014 issued by RBI, it was stated that the objectives of setting up of small finance banks was to further financial inclusion by (a) provision of savings vehicles, and (ii) supply of credit to small business units; small and marginal farmers; micro and small industries; and other unorganized sector entities, through high technology-low cost operations.

The scope of activities sought be carried out by the small finance banks can be delineated as follows:

- (a) The small finance bank 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.
- (b) There will not be any restriction in the area of operations of small finance banks.

The RBI, on October 6, 2016, issued Operating Guidelines for small finance banks after considering the differences between the business and financial inclusion focuses of these banks. Under these guidelines, small finance banks will be granted exemption from the existing regulatory ceiling on inter-bank borrowings until the existing loans mature or for a period of up to three years, whichever is earlier. Afterwards, the rules on exemption will be on a par with those for scheduled commercial banks. The above arrangements are only applicable to legacy borrowings that are migrated to the opening balance sheets of small finance banks on the day of the commencement of operations.

### ***Guidelines by RBI for ‘on tap’ licensing of universal banks in the private sector***

Recognizing the need for having an explicit policy on banking structure in India in line with the recommendations of expert committees, the RBI has decided to review the current “stop and go” licensing policy and consider a “continuous authorization” policy as its attempt at infusing competition and innovation into the banking market. It is pertinent to note that the RBI had issued guidelines for licensing of new banks in the private sector on February 22, 2013 subsequent to which it had issued in-principle licenses to two entities which have now set up banks. Pursuant to a discussion paper entitled ‘Banking Structure in India — The Way Forward’ which called for a continuous authorization policy to increase competition and bring in new ideas, the final guidelines have been issued by the RBI in August 2016. The guidelines lay down the criterion for eligible promoters, procedure for application, and conditions relating to NBFCs promoting or converting into a bank. The eligible promoters can be individuals with experience in banking and finance, private sector entities/groups and even existing NBFCs, subject to the above mentioned provisions. For all three types of promoters, a past record of sound credentials, integrity, and successful track record and experience of more than 10 years are required. Based on these guidelines, furnishing business plans for the bank would be required while applying for new bank licences. It also provides for other conditions to be followed by the banks, such as its control, composition and number of directors, approval of the RBI for issues relating to, among others, the acquisition of shares, bonds and debentures up to a certain limit, mandatory customer grievances cell to handle customers’ complaints. Non-compliance with rules set by the RBI will attract penal measures and can also lead to the cancellation of the license.

### ***Guidelines issued by RBI for issue of long term bonds by banks***

In order to ensure adequate credit flow to infrastructure sector as also towards the affordable housing needs of the country, the RBI issued Guidelines on the ‘Issue of Long Term Bonds by Banks’ on July 15, 2014 permitting banks to issue long term bonds with a minimum maturity of seven years to raise resources for lending to long term projects in infrastructure sub-sectors and affordable housing. The bonds may be issued through a public issue or private placement in full compliance with SEBI guidelines or norms including mandatory rating and listing and should be issued in plain vanilla form without call or put option. Furthermore, by way of a Notification on ‘Issue of Long Term Bonds by banks for Financing of Infrastructure and Affordable Housing — Cross Holding’ dated June 1, 2015, it was clarified by the RBI that the primary objective of allowing regulatory exemptions on CRR and SLR requirements as well as priority sector lending is to encourage issue of long term bonds for lending to infrastructure projects and affordable housing. Such investments will be subject to certain conditions as follows:

- (a) Banks’ investment in such bonds will not be treated as ‘assets with the banking system in India’ for the purpose of calculation of NDTL;
- (b) Such investments are not to be held under HTM category;
- (c) An investing bank’s investment in a specific issue of such bonds will be capped at 2% of the investing bank’s Tier 1 Capital or 5% of the issue size, whichever is lower;
- (d) An investing bank’s aggregate holding in such bonds will be capped at 10% of its total Non-SLR investments;
- (e) Not more than 20% of the primary issue size of such bond issuance can be allotted to banks; and
- (f) Banks cannot hold their own bonds.

## **Framework for dealing with Domestic Systemically Important Banks**

The RBI had issued the framework for dealing with Domestic Systemically Important Banks (“**D-SIBs**”) on July 22, 2014. The D-SIB framework requires the RBI to disclose the names of banks designated as D-SIBs every year in August starting from August 2015. The framework also requires that D-SIBs may be placed in four buckets depending upon their Systemic Importance Scores (“**SISs**”). Based on the bucket in which a D-SIB is placed, an additional common equity requirement has to be applied to it, as mentioned in the D-SIB Framework. The RBI announced the designation of the Bank as a Domestic Systemically Important Banks (“**D-SIBs**”).

The D-SIB framework specifies a two-step process of the identification of D-SIBs. In the first step, the sample of banks to be assessed for systemic importance has to be decided. The selection of banks in the sample for computation of SIS is based on an analysis of their size as a percentage of annual GDP. The additional Common Equity Tier 1 (“**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 requirement will be in addition to the capital conservation buffer. Further, as mentioned in the D-SIB framework, in case a foreign bank having a branch presence in India is a Global Systemically Important Bank (“**G-SIB**”), it has to maintain additional CET1 capital surcharge in India as applicable to it as a G-SIB, proportionate to its Risk Weighted Assets (“**RWAs**”) in India.

### **The RBI and its regulations**

Section 35A of the Banking Regulation 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. Further, the Banking Regulation (Amendment) has inserted Section 35AA and Section 35AB. Under Section 35AA, the RBI can issue directions to banking companies to initiate processes under the Insolvency and Bankruptcy Code, 2016 in respect of a default. Under Section 35AB, the RBI may issue directions to any banking company for the resolution of stressed assets and it may further specify an authority or committee to advise any banking company on the resolution of stressed assets. The banking companies are bound to comply with all such directions from the RBI

The Bank is a statutory corporation. By virtue of Section 33 of the SBI Act, the Bank may carry on and transact the business of banking as set out in Section 5 of the Banking Regulation Act. Section 51 of the Banking Regulation Act makes some of the Act’s provisions applicable to the Bank. In addition to the requirement of obtaining licenses from the RBI for opening its branches, the Bank is also regulated and supervised by the RBI for other matters relating to banking. The RBI requires the Bank 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 RBI has set up a Board for Financial Supervision (“**BFS**”), under the chairmanship of the Governor of the RBI. The primary objective of the BFS is to undertake consolidated supervision of the financial sector comprising commercial banks, financial institutions and non-bank financial companies. The appointment of the auditors of the Bank 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.

The RBI can also direct any banking company, in accordance with Section 45C of the RBI Act, to submit such statements relating to such credit information (being information relating to the amounts and the nature of loans and advances and other credit facilities granted by the banking company to any borrower or class of borrowers; the nature of security taken from any borrower or class of borrower for credit facilities granted to him or to such class; the guarantee furnished by a



banking company for any of its customers or any class of its customers; the means, antecedents, history of financial transactions and the credit worthiness of any borrower or class of borrower and any other information which the RBI may consider to be relevant for the more orderly regulation of credit policy) and in such form and within such time as it may specify from time to time.

### **License to conduct the business of banking in India**

Section 22 of the Banking Regulation Act requires all banking companies to obtain a license from the RBI to carry on the business of banking in India. However given the inapplicability of this section to the Bank, the Bank need not obtain a license from the RBI to carry on the business of banking in India.

### **Regulations relating to the opening of branches**

The opening of new branches and shifting of existing branches of banks is governed by the provisions of Section 23 of the Banking Regulation Act. In terms of these provisions, banks cannot, without the prior approval of the RBI, open a new place of business in India or abroad or change, otherwise than within the same city, town or village, the location of the existing place of business. Before granting any permission on an annual basis, the RBI may require to be satisfied, by an inspection under Section 35 or otherwise, 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.

Under the updated and consolidated Master Circular on ‘Area of operation, Branch Authorisation Policy, Opening/Up-gradation of Extension Counters, ATMs and Shifting/Splitting/Closure of Offices’ dated July 1, 2015, domestic scheduled commercial banks (other than regional rural banks) have been granted general permission by the RBI to open branches in Tier 1 to Tier 6 centers (with populations up to 99,999 according to the 2001 census) without seeking specific permission of the RBI for each branch, subject to reporting. Further, opening of administrative offices in Tier 1 centers are exempt from prior approval requirements, subject to reporting requirements. On the other hand, domestic scheduled commercial banks (other than regional rural banks) continue to require specific permission from the RBI for the opening of branches in Tier 1 centers (with populations of 100,000 and above according to the 2001 census). Further, subject to reporting requirements, the RBI has granted a general permission to domestic scheduled commercial banks (other than regional rural banks) to: (i) open branches in rural, semi-urban and urban centers in North Eastern States and Sikkim without seeking specific permission for each branch; and (ii) install off-site/mobile ATMs at centers/places identified by the RBI subject, however, to any direction which the RBI may issue, including for closure/shifting of any such off-site/mobile ATMs, wherever so considered necessary by the RBI.

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 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 regards to the procedural aspects of opening new branches, the previous system of granting authorizations for opening individual branches from time to time has 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 full-fledged branch, an extension counter, off-site ATMs, 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, the credit flow to the priority sector 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.

Effective July 15, 2011, banks have been advised, in the preparation of their ABEP, to allocate at least 25% 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 would mean 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 to their three year financial inclusion plans for branches opened in unbanked rural centers in a year in excess of the 25% minimum requirement.

On May 18, 2017, the RBI issued a revision to the 'Rationalization of Branch Authorization Policy'. The major changes arising out of this revision are as follows:

- a) In place of a branch, a banking outlet (which includes a branch as well as a BC outlet, amongst others) has been defined as follows:
  - a. Banking Outlet - A 'Banking Outlet' for a DSCB, a Payment Bank or a SFB is a fixed point service delivery unit, manned by either the bank's staff or its Business Correspondent where services such as the acceptance of deposits, encashment of cheques/cash withdrawal or lending of money are provided for a minimum of 4 hours per day for at least five days a week.
  - b. Part time Banking Outlets - Any fixed point service delivery unit of a bank which does not comply with the prescriptions regarding minimum working hours/days will be considered to be a 'part-time Banking Outlet'.
- b) An unbanked rural centre (URC) is defined as a rural (Tier 5 and 6) centre that does not have a CBS-enabled 'Banking Outlet' of a Scheduled Commercial Bank, a Payment Bank or a SFB or a Regional Rural Bank nor a branch of a Local Area Bank or licensed Co-operative Bank for carrying out customer based banking transactions.
- c) At least 25% of the total number of 'Banking Outlets' opened during a financial year must be opened in unbanked rural centres (Tier 5 and Tier 6). Pro rata benefits for part-time banking outlets will be given.
- d) Restriction on the number of Tier 1 branches removed. The incentive for opening banking outlets in the North-Eastern States and Sikkim (as well as LWE districts) has been modified as follows:
  - a. The opening of a 'Banking Outlet/part-time Banking Outlet' in any Tier 3 to Tier 6 centre in the North-Eastern States and Sikkim as well as in any Tier 3 to 6 centres in LWE affected districts, notified by the Government of India, will be considered as equivalent to opening a 'Banking Outlet'/'part-time Banking Outlet', as the case may be, in a URC.
  - b. A bank opening a 'bricks and mortar' branch in a rural (Tier 5 and 6) centre which — owing to the presence of a BC outlet by another bank - may not be defined as an unbanked rural centre, will also be eligible for the same incentive. There are similar arrangements when opening a banking outlet in a rural centre which is served only by the banking outlet of a Payment Bank.

- e) Banks may avail themselves of the incentives for front loading of 'Banking Outlets', if any, in excess of a minimum 25% of 'Banking Outlets' opened in the URCs/Tier 3 to 6 centres of N-E States, Sikkim and LWE affected districts for a maximum period of next 2 years.
- f) No customer interface will be allowed. Banks which are currently permitted to limit customer interface at CPCs will have to comply with the above requirements within one year of the date of this circular.
- g) No separate guidelines are required as all these outlets will be considered to be Banking Outlets or part-time Banking Outlets, as the case may be.
- h) Financial Inclusion being the overarching objective of the revised framework and of the operational flexibility being given to banks, the Board has been given overall responsibility to ensure that all the guidelines are complied with.

### **Capital adequacy requirements**

The Bank is subject to the capital adequacy requirements prescribed by the RBI, which are based on the guidelines of the Basel Committee on Banking Regulations and Supervisory Practices, 1988. With a view to adopting the framework formulated by the Basel Committee on capital adequacy ("**Basel I**"), which takes into account the elements of credit risk in various types of assets in the balance sheet as well as off-balance sheet business, and also to strengthen the capital base of banks, the RBI decided in April 1992 to introduce a risk-asset ratio system for banks (including foreign banks) in India as a capital adequacy measure.

In 2006, the Basel Committee released Basel II. The basic approach of capital adequacy framework under the Basel II norms is that a bank should have sufficient capital to provide a stable resource to absorb any losses arising from the risks in its business, namely: credit risk, market risk and operational risk. The Basel II framework has three pillars. Pillar 1 is the minimum capital requirements while Pillar 2 and Pillar 3 relate to the supervisory review process and market discipline, respectively. Under Pillar 1, the Basel II capital adequacy framework offers three distinct options for computing capital requirement for credit risk, two options for market risk and three other options for operational risk. These options for credit market and operational risks are based on increasing risk sensitivity and allow banks to select an approach that is most appropriate to the stage of development of a bank's operations. The options available for computing capital for credit risk are: (i) a standardized approach; (ii) a foundation internal rating based approach; and (iii) an advanced internal rating based approach. The options available for computing capital for market risk are: (i) a standardized measurement method; and (ii) an internal models approach. The options available for computing capital for operational risk are: (i) a basic indicator approach; (ii) a standardized approach; and (iii) an advanced measurement approach.

Pillar 2 of the framework makes Basel II much more comprehensive in its coverage of the various risks to which banks are exposed. The internal capital adequacy assessment process forms an important component of Pillar 2, which addresses (a) the risks that are not fully captured by the minimum capital requirement prescribed under Pillar 1; (b) the risks that are not at all taken into account by Pillar 1; and (c) the factors external to a bank. A bank has to make its own assessment of its various risk exposures, through a well-defined internal process, and maintain an adequate capital cushion for such risks which are not captured or fully captured under Pillar 1. Under Pillar 2, a supervisor shall review and evaluate banks' internal capital adequacy assessments and strategies, as well as their ability to monitor and ensure their compliance with the regulatory capital ratios.

The guidelines regarding Pillar 1 and Pillar 3, which the banks are required to comply with, were issued by the RBI in April 2007, and the guidelines on Pillar 2, comprising the supervisory review process and internal capital adequacy assessment process, were issued in March, 2008.

Under the capital adequacy framework, banks have to maintain unimpaired minimum capital funds equivalent to the prescribed ratio on the aggregate of the risk-weighted assets for credit, market and operational risk on an ongoing basis. For capital for the credit risk, under the standardized approach, the rating assigned by the eligible external credit rating agencies will largely support the measure of credit risk. Under this approach the degree of credit risk is expressed as a varying percentage weighting assigned to various asset classes of on-balance sheet exposures and off-balance sheet exposures. The total risk weighted off-balance sheet credit exposure is calculated as the sum of the risk-weighted amount of the market-related and non-market-related off-balance sheet items. The risk-weighted amount of an off-balance sheet item that gives rise to credit exposure is generally calculated by means of a two-step process:

- (a) the notional amount of the transaction is converted into a credit equivalent amount, by multiplying the amount by the specified credit conversion factor or by applying the current exposure method; and
- (b) the resulting credit equivalent amount is multiplied by the risk weight applicable to the counterparty or to the purpose for which the bank has extended finance or the type of asset, whichever is higher.

The risk weights vary and are 125.0% for consumer credit exposures, 75.0% for exposures meeting the qualifying criteria of regulatory retail, as defined by the RBI, 125.0% for capital market exposure, 35.0% to 125.0% for loans secured by residential property based on the size of the loan and loan-to-value ratio, 100.0% for commercial real estate exposures, 150.0% for venture capital funds (“VCFs”) and 100.0% for other unrated loans/credit. Credit exposures to rated corporates are risk weighted based on the external credit ratings at a facility level. Risk weights are 100% for credit exposures to commercial real estate and non-deposit taking systemically important non-banking financial companies, 125.0% for capital markets exposures, 150.0% for venture capital funds and 125.0% for exposure to capital instruments and 250.0% for equity instruments, in each case of financial entities (other than banks and non-banking financial companies).

Capital charge for market risk is computed in accordance with the standardized duration approach (standardized measurement method) as an aggregate of capital charge for interest rate risk, equity risk and foreign exchange risk. The aggregate risk weighted assets are taken into account for determining the CRAR. Capital has to be calculated in respect of the entire investments portfolio over and above the risk weight for credit risk.

Capital charge for operational risk is computed under the basic indicator approach. Banks must hold capital for operational risk equal to the average over the previous three years of a fixed percentage (denoted as alpha), i.e. 15%, of the positive annual gross income.

In order to strengthen the resilience of the banking sector to potential future shocks, together with ensuring adequate liquidity in the banking system, the Basel Committee issued consultative documents on capital and liquidity (also known as Basel III proposals) in December 2009, with the final rules issued on December 16, 2010. The Basel III proposals set out a phased implementation between January 1, 2013 and January 1, 2019. On May 2, 2012, the RBI issued guidelines on the implementation of the Basel III capital regulation framework in India, and on July 1, 2014, it issued a Master Circular on Basel III capital regulations, consolidating all relevant guidelines on Basel III issued up to June 30, 2014. On July 1, 2015, the RBI issued an updated and consolidated Master Circular on Basel III capital regulations. These Basel III Guidelines require banks to maintain a minimum capital to risk weighted asset ratio of 9.0% on an ongoing basis, of which a minimum of 7.0% must be Tier I capital. The Basel III Guidelines stipulate that (a) at the consolidated level, investments in the regulatory capital instruments of insurance subsidiaries and associates and (b) at the solo level, investments in the regulatory capital instruments of insurance and other subsidiaries (in each case where the bank’s investment in the equity is more than 50%) must be fully deducted from the corresponding capital as per phase-in of deductions prescribed by the RBI. The RBI, on March 1, 2016, made some amendments to the treatment of certain balance sheet items for the purpose of

determining banks' regulatory capital, with a view to aligning the definition of regulatory capital with the internationally adopted Basel III capital standards. The key features of the amendments are: (i) revaluation reserves arising from a change in the carrying amount of a bank's property consequent upon its revaluation will be considered to be common equity tier 1 capital instead of tier 2 capital at a discount of 55%; (ii) foreign currency translation reserves arising due to the translation of financial statements of a bank's foreign operations to the reporting currency may be considered to be common equity tier 1 capital at a discount of 25%; and (iii) deferred tax assets arising due to timing differences may be recognized as Common Equity Tier 1 capital up to 10% of a bank's common equity tier 1 capital.

Under the previous Basel II framework, the total regulatory capital was classified into Tier I capital (core capital) and Tier II capital (supplemental capital) (which was further classified as Upper Tier II capital and Lower Tier II capital). To improve the quality and quantity of regulatory capital, the Basel III proposals provide for common equity to be the predominant part of Tier I capital ("**Common Equity Tier I Capital**"), with Additional Tier I Capital and Tier II capital to continue to form part of the regulatory capital. The Common Equity Tier I Capital comprises of common shares, stock surplus, statutory reserves, capital reserves representing surplus arising out of sale proceeds of assets, other free reserves and the balance in the profit and loss account. Regulatory adjustments/deductions applied in calculation of Common Equity Tier I Capital are, however, deducted.

The Additional Tier I Capital consists of perpetual non-cumulative preference shares, stock surplus (resulting from the issue of Additional Tier I Capital instruments), perpetual debt instruments and any other type of instrument generally notified by the RBI for inclusion in Additional Tier I Capital. Regulatory adjustments/deductions applied in calculation of Additional Tier I Capital are deducted.

Pursuant to the Basel III Guidelines, banks are required to maintain a capital conservation buffer of 2.50% comprising of Common Equity Tier 1 Capital, above the regulatory minimum capital requirement of 9.00%. From March 31, 2016, if the Issuer's total Common Equity Tier 1 Capital does not exceed the amount required to fulfil its minimum Common Equity Tier 1 Capital requirement of 5.50% of risk-weighted assets plus the amount of additional Common Equity Tier 1 Capital required to fulfil its capital conservation buffer requirement, the Issuer will be required to conserve a percentage of its earnings in accordance with the following table, which sets out the minimum capital conservation standards for individual banks:

<b>Minimum capital conservation standards for individual bank</b>			
<b>Common Equity Tier 1 Capital Ratio after including the current periods retained earnings</b>			<b>Minimum Capital Conservation Ratios<sup>(1)</sup></b>
<b>As of March 31, 2016</b>	<b>As of March 31, 2017</b>	<b>As of March 31, 2018</b>	
5.5%-5.65625% . . . . .	5.5%-5.8125%	5.5%-5.96875%	100%
>5.65625%-5.8125% . . . . .	>5.1825%-6.125%	>5.96875%-6.4375%	80%
>5.8125%-5.96875% . . . . .	>6.125%-6.4375%	>6.4375%-6.90625%	60%
>5.96875%-6.125% . . . . .	>6.4375%-6.75%	>6.90625%-7.375%	40%
>6.125% . . . . .	>6.75%	>7.375%	0%

Note:

(1) Expressed as a percentage of earnings

Under the Basel III Guidelines, the elements of Tier II capital broadly remain the same except that there is no separate Tier II debt instrument in the form of Upper Tier II and Lower Tier II. Instead, there is a single set of criteria governing all Tier II debt capital instruments. The Tier II capital includes general provisions and loss reserves (allowed up to a maximum of 1.25% of total credit risk-weighted assets), debt capital instruments, preference share capital instruments (perpetual

cumulative preference shares/redeemable non-cumulative preference shares/redeemable cumulative preference shares), stock surplus resulting from sale of Tier II capital instruments and any other type of instrument generally notified by the RBI from time to time. They often carry a fixed maturity, and as they approach maturity, they are subjected to progressive discount, for inclusion in Tier II capital.

Under the Basel III Guidelines, banks are permitted to issue perpetual debt instruments with a call option which may be exercised after not less than five years, with the RBI's prior approval, for inclusion in Additional Tier I Capital and subject to the terms prescribed in the guidelines issued by the RBI. The claims of the investors in such perpetual debt instruments are: (i) superior to the claims of the investors in equity shares and perpetual non-cumulative preference shares; (ii) subordinated to the claims of depositors, general creditors and subordinated debt of the banks; and (iii) neither secured nor guaranteed by the issuer or a related entity or have any other credit enhancement arrangement making it senior to the claims of the bank's creditors. Banks are also permitted to issue perpetual debt instruments in foreign currency without seeking the prior approval of the RBI, subject to compliance with the following conditions: (i) perpetual debt instruments issued in foreign currency should comply with all terms and conditions as applicable to such instruments issued in Rupees; (ii) not more than 49.00% of the eligible amount that can be issued is in foreign currency; and (iii) the issue of perpetual debt instruments will be in addition to the limits of foreign currency borrowings prescribed for banks by the RBI. Under the Basel III Guidelines, banks are permitted to issue debt instruments with a minimum maturity of five years and a call option after not less than five years, to be exercised with the RBI's prior approval, for inclusion in Tier II capital. The claims of the investors in Tier II capital debt instruments are: (i) superior to the claims of investors in instruments eligible for inclusion in Tier I capital; and (ii) subordinated to the claims of all depositors and general creditors of the banks. Banks in India are also permitted to issue such debt instruments eligible for inclusion in Tier II capital in foreign currency without seeking the prior approval of the RBI, subject to compliance with the following conditions: (i) Tier II debt instruments issued in foreign currency should comply with all terms and conditions applicable to instruments issued in Rupees; (ii) the total amount of Tier II debt instruments issued in foreign currency shall not exceed 25.00% of the unimpaired Tier I capital. This eligible amount will be computed with reference to the amount of Tier I capital as of March 31 of the previous financial year, after the necessary deductions; and (iii) the issue of Tier II debt instruments will be in addition to the limits of foreign currency borrowings prescribed for banks by the RBI. The perpetual debt instruments and Tier II debt capital instruments are not permitted to have a step-up option so as to be considered eligible for inclusion as part of the regulatory capital of banks.

Four credit rating agencies, namely CARE, CRISIL, FITCH India and ICRA ("CRAs"), have been accredited to risk weight banks' claims for capital adequacy purposes. The long-term and short-term ratings issued by the chosen domestic credit rating agency have been mapped to the appropriate applicable risk weight under the standardized approach under Basel II. SEBI has instructed CRAs registered with SEBI to adopt common rating symbols and rating definitions to be used for the new rating/reviews by the CRAs. This would not affect the existing ratings assigned by the CRAs under the Basel II framework. Banks are advised to use the revised rating symbols of the credit rating agencies for the purpose of assigning risk weights to the various exposures.

### **Prudential norms for income recognition, asset classification and provisioning pertaining to advances**

The RBI has introduced, in a phased manner, prudential norms for income recognition, asset classification and provisioning for the advances portfolio of the banks as well as prudential norms relating to classification, valuation and operation of investments so as to move towards greater consistency and transparency in the published accounts. These prudential norms are in line with international practices and according to the recommendations of the M. Narasimhan Committee on the Financial System which was set up in 1991. The instructions and guidelines with respect to the prudential norms are revised from time to time by the RBI.



The RBI has also consolidated all instructions and guidelines relating to valuation of investments in its Master Circular on 'Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks' which is issued annually, the most recent master circular was dated July 1, 2015 and is discussed later in the document.

The principal features of the RBI guidelines, which have been implemented with respect to the Bank's loans, debentures, lease assets, hire purchases and bills in its Indian GAAP financial statements, are set forth below.

The assets of a bank are classified as: (i) standard assets; or (ii) NPAs. A standard asset ("**Standard Asset**") is a financial asset that continues to generate income for a bank. Under the prudential norms, an NPA is one that ceases to generate income for a bank. A loan or an advance becomes an NPA if: (i) the interest and/or installment of principal remains overdue for a period of more than 90 days in respect to a term loan; (ii) the account remains out-of-order for a period of more than 90 days in respect of an overdraft or cash credit; (iii) the bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted; (iv) the instalment of principal or interest thereon remains overdue for two crop seasons for short duration crops; (v) the instalment of principal or interest thereon remains overdue for one crop season for long duration crops; (vi) the amount to be received remains overdue for a period of 90 days in respect of other accounts; (vii) the amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitization transaction undertaken in terms of guidelines on securitization issued by the RBI on February 1, 2006; or (viii) in respect of derivative transactions, the overdue receivables representing positive mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment. An account is treated as "out-of-order" if the outstanding balance remains continuously in excess of the sanctioned limit or drawing power. In cases where the outstanding balance in the principal operating account is less than the sanctioned limit or drawing power, but there are no credits continuously for 90 days as of the date of the balance sheet or the credits are not enough to cover the interest debited during the same period, such accounts are to be treated as "out-of-order." Any amount due to the bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the bank.

Income from NPAs is not recognized on an accrual basis but is booked as income only when it is actually received. Therefore, if an account gets classified as an NPA, 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.

NPAs are classified into the following three categories: (i) sub-standard assets; (ii) doubtful assets; and (iii) loss assets. A "sub-standard asset" is one, which has remained an NPA for a period less than or equal to 12 months ("**Sub-standard Asset**"). In such cases, the current net worth of the borrower/guarantor or the current market value of the security charged is not enough to ensure recovery of the dues to the banks in full. In other words, such an asset will have well-defined credit weaknesses that jeopardize the liquidation of the debt and are characterized by the distinct possibility that the banks will sustain some loss, if deficiencies are not corrected. A "doubtful asset" is an NPA which has remained in the sub-standard category for a period of 12 months ("**Doubtful Asset**"). A loan classified as Doubtful Asset has all the weaknesses inherent in assets that are classified as sub-standard, with the added characteristic that the weaknesses make collection or liquidation in full highly improbable. 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 ("**Loss Asset**"). In other words, a Loss Asset is considered uncollectible and of such little value that its continuance as a bankable asset is not warranted although there may be some salvage or recovery value. Banks are mandated to classify NPAs into one of the above three categories, taking into account the degree of well-defined credit weaknesses and the extent of dependence on collateral security for realization of dues.



Under the prudential norms, asset classification has to be borrower-wise and not facility-wise, i.e., all the facilities granted by a bank to a borrower and investment in all the securities issued by the borrower will have to be treated as an NPA and not the particular facility or investment or part thereof which has become irregular. There are specific guidelines for classification of loans for projects under implementation, which are based on the date of commencement of commercial production and date of completion of the project as originally envisaged at the time of financial closure. In case of infrastructure projects, a loan would be classified as an NPA if it failed to commence commercial operations within two years from the committed date of commencement, unless it is restructured during the period. Any extension of the date of commencement would also be treated as restructuring of the account. In takeout financing arrangements, the taking-over bank or financial institution, on taking over any asset that has become an NPA in the books of the lending bank, is required to make provisions treating the account as an NPA from the actual date of it becoming an NPA even though the account was not in its books as of that date. There are separate guidelines for classification of loans for projects under implementation which are based on the date of commencement of commercial production and date of completion of the project as originally envisaged at the time of financial closure.

Under the prudential norms, banks are required to make provisions for NPAs on the basis of their classification into Sub-standard Assets, Doubtful Assets and Loss Assets. The provisioning requirements for NPAs range between 15.0% and 100.0% of the outstanding amount, depending on the age of the NPAs and the security available. Banks can also make additional specific provisions subject to a consistent policy based on riskiness of their credit portfolios, because the rates of provisioning stipulated for NPAs are the regulatory minimum. The provisioning for the NPAs is made taking into account the time lag between an account becoming doubtful of recovery, its recognition as such, the realization of the security and the erosion over time in the value of security charged to the bank. The primary responsibility for making adequate provisions for any diminution in the value of loan assets, investment or other assets is that of the management and the statutory auditors of the banks. Loss Assets are either required to be written-off completely or 100.00% provision has to be made on the outstanding of the Loss Assets if they are permitted to remain in the books of the banks. For Doubtful Assets, 100.00% provision is required to be made for advances not covered by the realizable value of the security to which the bank has a valid recourse. For the secured portion of the Doubtful Assets, 25.00% provision is required to be made for assets that have been classified as doubtful for up to a year, 40.00% for assets that have been classified as doubtful for one to three years and 100.00% for assets classified as doubtful for more than three years. With a view to bringing down divergence arising out of differences in assessment of the value of a security, in cases of NPAs with balances of Rs.50 million and above, stock audits at annual intervals by external agencies appointed according to the guidelines approved by the respective boards of the banks would be mandatory in order to enhance the reliability on stock valuation. Collaterals such as immovable properties charged in favor of the banks are to be valued once in three years by appraisers appointed according to the guidelines approved by the respective board of directors of the banks. For Sub-standard Assets, a general provision of 15.00% of the total outstanding balance is required. However, unsecured exposures, which are identified as Sub-standard Assets attract an additional provision of 10.00%, i.e., a total of 25.00% on the outstanding balance. However, in view of certain safeguards such as escrow accounts available in respect of infrastructure lending, infrastructure loan accounts which are classified as Sub-standard Assets will attract a provisioning of 20.00%. To avail of this benefit of lower provisioning, the banks should have in place an appropriate mechanism to escrow the cash flows and also have a clear and legal first claim on these cash flows. For Standard Assets, banks are required to make general provisions at the following rates for the funded outstanding on global loan portfolio basis: (i) direct advances to agricultural and small and medium enterprises at 0.25% (medium enterprises will attract 1.40% standard asset provisioning); (ii) advances to commercial real estate sector at 1.00%; (iii) project finance restructure extended at 1.00%; (iv) housing loans sanctioned under teaser rates at 2.75%; and (v) all other loans and advances not included in (i) or (iv) above at 0.40%. The provisions on Standard Assets should not be reckoned for arriving at net NPAs. With

respect to restructured accounts classified as standard assets the RBI stipulated that these assets would attract a general provisioning of 2.75% in the first two years of restructuring whereas restructured accounts upgraded from non-performing advances to the standard category will attract a provision of 2.00% in the first year of up-gradation. This was increased to 2.75% from November 2012.

The RBI has permitted banks to create and utilize floating provisions (i.e., provisions which are not made in respect of specific NPAs or made in excess of regulatory requirements for provisions for Standard Assets). The prudential norms state that floating provisions can be used only for contingencies under extraordinary circumstances for making specific provisions in impaired accounts after obtaining approval from the board of directors and with the prior permission of the RBI. Floating provisions for advances and investments must be held separately and cannot be reversed by credit to the profit and loss account. They can only be utilized for making specific provisions in extraordinary circumstances as mentioned above. Until such utilization, these provisions can be netted off from gross NPAs to arrive at disclosure of net NPAs. Alternatively, floating provisions can be treated as part of Tier II capital within the overall ceiling of 1.25% of total risk-weighted assets.

Banks are required to augment their provisioning cushions consisting of specific provisions against NPAs as well as floating provisions, and ensure that their total provisioning coverage ratio, including floating provisions, is not less than 70.00%. Provisioning coverage ratio is essentially the ratio of provisioning to gross NPAs and indicates the extent of funds a bank has kept aside to cover loan losses. Also, according to a further clarification from the RBI, any surplus provisioning should not be written-back but should be segregated into a “countercyclical provisioning buffer” and banks will be allowed to use this buffer to make specific provisions for NPAs during a system-wide downturn.

To limit the volatility of loan loss provisioning over the course of an economic cycle, the RBI released a discussion paper on a dynamic loan loss provisioning framework which proposes to replace the existing general provisioning standards and recommends that banks make provisions on their loan book every year based on historical loss experience in various categories of loans.

The RBI has, in the past, issued various guidelines which aim at revitalizing stressed assets in the economy. The measures taken in this direction include issuance of notifications with respect to Strategic Debt Restructuring (SDR) Mechanism (by notification dated June 8, 2015), Framework to revitalise the Distressed Assets in the Economy — Guidelines on Joint Lenders’ Forum (JLF) and Corrective Action Plan (CAP) (by notification dated February 26, 2014), Revisions to the Guidelines on Restructuring of Advances by Banks (by notification dated May 30, 2013), Flexible structuring of Long Term Project Loans to Infrastructure and Core Industries (by notification dated December 15, 2014) and amendments to guidelines on Sale of Financial Assets to Securitisation Companies (SC)/Reconstruction Companies (RC) (by notification dated March 28, 2014).

#### *SDR Scheme*

The SDR scheme has been introduced with a view to ensure more stake of promoters in reviving stressed accounts and provide banks with enhanced capabilities to initiate change of ownership in accounts which fail to achieve the projected viability milestones. According to the provisions of this scheme, the implementation of the aforesaid scheme is left to the discretion of the banks. Moreover, according to this scheme, the conversion of outstanding debts can be done by a consortium of lending institutions which is known as a Joint Lenders Forum (“**JLF**”).

#### *JLF and CAP*

Under the aforesaid framework, prior to a loan becoming a non-performing asset, the banks have to identify the incipient stress in the account by creating a category known as the special mention accounts (“**SMA**”). According to these guidelines, this category shall have a further division into SMA-NF, SMA-1 and SMA-2 depending on the principal or interest payment overdue. Thereafter, the banks have to report the SMA status of the relevant borrower to the Central Repository of

Information on Large Credits (“CRILC”). As and when an account is reported to the CRILC as SMA-2, all lenders are required to form a committee called as the Joint Lenders’ Forum which shall have to formulate a corrective action plan (“CAP”) for prompt resolution of the stress in the account. Such resolution can be carried out either by way of rectification, restructuring or recovery.

#### *Restructuring of Advances by Banks*

The Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 2, 2012 allowed regulatory forbearance on asset classification of restructured accounts subject to certain conditions, i.e. standard accounts are allowed to retain their asset classification and NPA accounts are allowed not to deteriorate further in asset classification on restructuring. By its notification dated May 30, 2013, RBI decided to cancel the regulatory forbearance regarding asset classification on restructuring of loans and advances in line with the practice followed in several jurisdictions. Such a change has been in effect from April 1, 2015.

#### *Flexible Structuring of Long Term Project Loans to Infrastructure and Core Industries*

According to the RBI circular dated July 15, 2014, flexible structuring of project loans with the option of periodic refinancing was available only to new loans to infrastructure projects and core industries projects sanctioned after the date of the aforesaid circular. However, after a representation by banks, it was decided by the RBI, by its notification dated December 15, 2014 to allow banks to flexibly structure the existing project loans to infrastructure projects and core industries projects with the option to periodically refinance the same, subject to certain norms detailed in the aforesaid notification. It was also clarified that banks may provide longer loan amortization according to the above framework of flexible structuring of project loans to existing project loans to infrastructure and core industries projects which are classified as ‘non-performing assets’. However, such an exercise would be treated as ‘restructuring’ and the assets would continue to be treated as ‘non-performing asset’.

#### *Sale of Financial Assets to Securitisation Company/Reconstruction Company (SC/RC)*

This RBI notification dated March 28, 2014 deals with the sale of financial assets to a securitization company or reconstruction company by multi State cooperative bank. According to the notification, the term ‘asset’ includes the following:

1. A non-performing asset, which includes a non-performing bond/debenture; and
2. A standard asset where:
  - (a) the asset is under consortium/multiple banking arrangements with commercial banks and multi state cooperative banks as member banks;
  - (b) at least 75% by value of the asset is classified as non-performing asset in the books of other banks; and
  - (c) at least 75% (by value) of the banks who are under the consortium/multiple banking arrangements agree to the sale of the asset to SC/RC.

By way of notification dated February 25, 2016, the RBI has partly modified and clarified some aspects of the above mentioned guidelines which would have a prospective effect. The features of the same can be delineated as follows:

#### *SDR*

1. The asset classification benefit will be available to the lenders provided they divest a minimum of 26% of the shares of the company (and not necessarily 51% *ab initio* as

required hitherto) to the new promoters within the stipulated time line of 18 months and the new promoters take over management control of the company. Lenders would thus have the option to exit their remaining holdings gradually, with upside as the company turns around. Lenders should, however, grant the new promoters the 'Right of First Refusal' for the subsequent divestment of their remaining stake;

2. The JLF can have flexibility in the time taken for completion of individual activities up to conversion of debt into equity in favor of lenders (i.e. up to 210 days from the review of achievement of milestones/critical conditions) according to the SDR package approved by JLF; and
3. Lenders to build up adequate provisions for possible loss in value of the equity acquired in lieu of debt and residual loan exposures.

### *Sustainable Structuring of Stressed Assets*

On June 13, 2016, the RBI issued a circular on a "Scheme for Sustainable Structuring of Stressed Assets" (S4A), as may be amended from time to time, as an optional framework for the resolution of large stressed accounts. The S4A envisages the determination of sustainable debt levels for stressed borrowers and bifurcation of outstanding debt into sustainable debt and equity or quasi-equity instruments which are expected to provide a higher return to lenders when a borrower has restructured its operations and financial structures. Sustainable debt levels will be determined on independent techno-economic viability criteria which show that debt of that principal value along with current funded or non-funded liabilities owed to institutional lenders can be serviced. For this scheme to apply, sustainable debt shall not be less than 50.00% of current funded liabilities. Other conditions are that the project has commenced commercial operations, the aggregate debt (including accrued interest) of all institutional lenders in rupees and foreign currency is more than Rs.5,000 million and that the debt meets the sustainability test in the framework.

In this context sustainable debt means the level of debt that, as it falls due for payment, can be serviced from free cash. The remaining portion of the debt will be converted into equity or redeemable cumulative preference shares. However, in cases where the resolution plan does not involve a change in the promoter, banks can, at their discretion, also convert a portion of this into optionally convertible debentures.

Furthermore, additional guidelines were released on September 1, 2016 called "Guidelines on Sale of Stressed Assets by Banks", as may be amended from time to time, according to which banks are now required to lay down detailed policies on the sale of their stressed assets to securitisation companies or reconstruction companies. As per the new guidelines, "doubtful assets" above a certain amount will have to be periodically reviewed by the boards of the banks and banks can offer assets to other banks or financial institutions that have the requisite capital. The cost of the asset valuation exercise shall be borne by the banks and such banks will need to have clear policies with regard to the proposed valuation. Also, if exposure is beyond Rs.500 million then banks will be required to obtain two external valuation reports.

This means any valuation by one external agency will have to be ratified by a second one. To make the process more transparent, the RBI has guided that the discount rate used in the valuation exercise will have to be spelled out in the policy.

The RBI circular on "Prudential Norms on Change in Ownership of Borrowing Entities (Outside Strategic Debt Restructuring Schemes)" dated September 24, 2015, as may be amended from time to time (Change in Ownership of Borrowing Entities Guidelines), aims to enhance banks' ability to change the ownership of borrowing entities which are under stress primarily due to operational or

managerial inefficiencies, despite substantial sacrifices made by the lending banks. The RBI has permitted a standstill on asset classification and provisioning norms for 12 to 18 months to assist banks. Interest income payable but unpaid on any loans during this period should be recognized by banks on an accruals basis.

The RBI Notification on Timelines for Stressed Asset Resolution Assets Resolution dated May 5, 2017 reiterated that lenders must scrupulously adhere to the timelines prescribed in the Framework for finalizing and implementing the CAP. To facilitate timely decision making, the decisions agreed upon by a minimum of 60% of creditors by value and 50% of creditors by number in the JLF would be considered to be the basis for deciding the CAP, and will be binding on all lenders, subject to the exit (by substitution) option available in the Framework.

#### *Framework to revitalise the Distressed Assets in the Economy*

1. The JLF shall finalise the CAP and the same will be placed before an Empowered Group (“EG”) of lenders, which will be tasked to approve the rectification/restructuring packages under CAPs. However, the approval of JLF-EG is mandatory only in cases of rectification with additional finance and cases of restructuring under a CAP;
2. Revised composition of the JLF-EG for enhancing the quality of decision making; and
3. A scheme of incentives for adherence to timelines for decision-making by JLF members to facilitate timely implementation of the Corrective Action Plan.

#### *Restructuring of Advances*

1. Permitting restructuring and benefits of asset classification in cases of borrower accounts, which were involved in fraud, where the promoters have been subsequently replaced by new promoters and the borrower is totally delinked from the erstwhile promoters; and
2. Flexible structuring of project loans as an end-use is also permissible under the revised External Commercial Borrowing (“ECB”) framework.

#### **Restructuring of loans and advances**

The RBI has issued guidelines for restructuring of loans and advances. Banks may restructure the following accounts: (i) Standard Assets; (ii) Sub-standard Assets; and (iii) Doubtful Assets. Restructuring cannot take place unless alteration or changes in the original loan agreement are made with the formal consent, or pursuant to an application, of the debtor. However, the process of restructuring can be initiated by the bank in deserving cases subject to the borrower agreeing to the terms and conditions.

The guidelines on restructuring of advances are divided into the following four categories: (i) guidelines on restructuring on advances extended to industrial units; (ii) guidelines on restructuring on advances extended to industrial units under the CDRM; (iii) guidelines on restructuring of advances extended to small and medium enterprises; and (iv) guidelines on restructuring of all other advances. Since the principles underlying the restructuring of all advances are identical, the guidelines relating to restructuring have been aligned in all cases. The basic objective of restructuring is to preserve economic value of units. A fully-secured Standard Asset can be restructured by rescheduling principal repayments and/or the interest element, but 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, and to Doubtful Assets, in the case of restructuring of assets under the CDR



mechanism. The sub-standard accounts which have been subjected to restructuring, whether in respect of principal installment or interest amount, are eligible to be upgraded to the standard category only after the specified period, i.e., a period of one year after the date when first payment of interest or of principal, whichever is earlier, falls due, subject to satisfactory performance during the period.

In March 2010, norms were issued pertaining to the restructuring of advances for infrastructure and non-infrastructure projects, where such projects were classified as projects under implementation. In case of infrastructure projects, a loan would be classified as non-performing if it failed to commence commercial operations within two years from the documented date of commencement, unless it is restructured during the period. In case of non-infrastructure projects, a loan would be classified as non-performing if it failed to commence commercial operations within six months from the documented date of commencement, unless it is restructured during the period. Any extension of the date of commencement of commercial operations would also be treated as restructuring of the account. However, real estate projects do not have the benefit of an extension from the documented date of commencement and are classified as non-performing if the project does not commence its commercial operations by the specified date.

In January 2013, the RBI released draft guidelines on restructuring of advances which propose that with effect from April 1, 2015, asset classification benefits currently available for restructured loans would be withdrawn and restructured loans (other than in the infrastructure sector) would be classified as non-performing. The general provisioning requirement on restructured standard assets will also be increased from the current 2.75% to 5.00% effective from March 31, 2016 in a phased manner. Further, the draft guidelines propose that standard accounts can be upgraded on the satisfactory performance of all loans or facilities for a minimum period of one year commencing from the first payment of interest or principal, whichever is later, on the credit facility with the longest moratorium. The draft guidelines propose that for large exposures restructured under the corporate debt restructuring mechanism, the funds brought by promoters should be a minimum of 15.00% of the diminution in fair value of the loan or 2.00% of the restructured debt, whichever is higher. In addition, conversion of debt into equity shares or preference shares is proposed to be limited to 10.00% of the restructured debt.

The banks can convert a portion of the restructured amount into equity as a part of restructuring exercise subject to the statutory requirement under Section 19 of the Banking Regulation Act and relevant SEBI regulations. Acquisition of equity shares or convertible bonds or convertible debentures in companies by way of conversion of debt or overdue interest can be done without seeking prior approval from the RBI, even if by such acquisition the prudential capital market exposure limit prescribed by the RBI is breached. However, all banks will have to comply with the provisions of Section 19(2) of the Banking Regulation Act which states that banks shall not hold shares in any company, whether as pledgee, mortgagee or absolute owner, of an amount exceeding 30.00% of the paid-up share capital of that company or 30.00% of its own paid-up share capital and reserves, whichever is less.

### **Regulations relating to making of loans and advances**

The provisions of the Banking Regulation Act and the directions issued by the RBI govern the making of loans and advances by banks. Section 20(1) of the Banking Regulation Act, which is applicable to the Bank, specifies that a bank cannot grant any loans or advances on the security of its own shares. A bank is also prohibited from entering into any commitment for granting any loans or advances to or on behalf of any of its directors, or any firm in which any of its directors is interested as partner, manager, employee or guarantor, or any company (not being a subsidiary of the banking company or a company registered under Section 25 of the Companies Act, or a Government company) of which, or the subsidiary or the holding company of which any of the directors of the bank is a director, managing agent, manager, employee or guarantor or in which he holds substantial interest, or any individual in respect of whom any of its directors is a partner or guarantor. There are certain exemptions in this regard as the explanation to Section 20(1) provides that 'loans or advances' shall not include any transaction which the RBI may specify by general or special order as not being a loan



or advance for the purpose of such Section. Banks cannot provide loans to companies for buyback of its shares or securities. While granting loans, banks have to strictly observe the stipulations imposed under Section 19(2) and Section 19(3) of the Banking Regulation Act. Banks are required to strictly observe the following regulatory restrictions on grants of loans and advances against shares, debentures and bonds: (i) no loans to be granted against partly paid shares; and (ii) no loans to be granted to partnership/proprietorship concerns against the primary security of shares and debentures. There are guidelines on loans secured by money market mutual funds, fixed deposit receipts issued by other banks, in respect of amount, margin requirement and purpose. In order to meet financial requirements of infrastructure projects, banks may extend credit facility by way of working capital finance, term loan, project loan, subscription to bonds and debentures, preference shares and/or equity shares acquired as a part of the project finance package which is treated as “deemed advance” and any other form of funded or non-funded facility. Banks are permitted to issue guarantees favoring other lending institutions in respect of infrastructure projects, provided the bank issuing the guarantee takes a funded share in the project at least to the extent of 5.00% of the project cost and undertakes normal credit appraisal, monitoring and follow-up of the project. In respect of infrastructure projects being undertaken by public sector units, banks are allowed to extend term loans to corporate entities, i.e., public sector undertakings registered under the Companies Act, including Special Purpose Vehicles (“SPVs”) or a corporation established under the relevant statute. Banks have to ensure that these loans or investments are not used for financing the budget of the state governments.

According to RBI guidelines, a promoter’s contribution towards the equity capital of a company should come from its own resources and banks should not normally grant advances to take up shares of other companies. Banks are required to ensure that advances against shares are not used to enable the borrower to acquire or retain a controlling interest in any company or to facilitate or retain inter-corporate investment. A few exceptions have been made to this particular requirement, including but not limited to: (i) allowing banks to extend financial assistance to Indian companies for acquisition of equity in overseas joint ventures or wholly owned subsidiaries or in other overseas companies; (ii) allowing successful bidders to acquire shares of public sector undertakings under the Government’s disinvestment program; and (iii) financing the acquisition of a promoter’s shares in an existing company, which is engaged in implementing or operating an infrastructure project in India, under certain circumstances and subject to certain conditions including but not limited to the restriction of bank financing to 50.00% of the finance required for acquiring the promoter’s stake in the company being acquired, in order to ensure that the borrower has a substantial stake in the infrastructure company.

RBI has also prescribed norms for banks lending to non-banking financial companies. Banks have been allowed to extend need-based working capital facilities as well as term loans to all non-banking financial companies registered with the RBI and engaged in infrastructure financing, equipment leasing, hire-purchase, loan, factoring and investment activities. Shares and debentures cannot be accepted as collateral securities for secured loans granted to non-banking financial company borrowers for any purpose. Banks cannot grant non-banking financial companies interim finance against capital or debenture issues and/or in the form of loans of a bridging nature pending raising of long-term funds from the market by way of capital, deposits, etc.

In May, 2007, the RBI had permitted to extend fund/non-fund based credit facilities to overseas Joint Ventures (“JV”)/WOS/Wholly owned Step-down Subsidiaries (“WoSDS”) of subsidiaries of Indian companies upto 20.00% of their unimpaired capital funds (Tier I and Tier II capital) subject to certain conditions. However, RBI has recently directed all commercial banks in India, including overseas branches or subsidiaries of Indian banks, to refrain from issuing any non-fund based facility in the form of standby letters of credit, guarantees or letter of comforts on behalf of overseas JV/WOS/WoSDS of Indian companies for the purpose of raising loans or advances of any kind from other entities except in connection with the ordinary course of overseas business. RBI intends to curb the practice of Indian companies from raising foreign currency loans on the strength of non-fund based facilities by Indian banks for repayment of domestic loans raised in India Rupees.

## Corporate debt restructuring mechanism

In order to put in place an institutional mechanism for the restructuring of corporate debt, the RBI devised a CDR System, guidelines pertaining to which were issued on August 23, 2001. Subsequently, detailed guidelines were issued on February 5, 2003 and revised further in 2005. The objective of this framework is to ensure a timely and transparent mechanism for the restructuring of corporate debts of viable entities facing problems, but outside the purview of the BIFR, debt recovery tribunals and other legal proceedings. In particular, the framework aims to preserve viable corporates that are affected by certain internal and external factors and minimize the losses to the creditors and other stakeholders through an orderly and coordinated restructuring program. The CDR system is a non-statutory mechanism and a voluntary system based on debtor-creditor and inter-creditor agreements. Secured creditors having a minimum of 20.00% exposure in term loans or working capital may make a reference to the CDR forum. The system established by the RBI has a three-tier structure, led by the CDR standing forum, which is the general body for all member institutions, out of which is carved out the CDR core group, a niche body of select institutions that decides policy matters. Decisions on restructuring are taken by the CDR empowered group, which has all the member banks and financial institutions as its members. A CDR Cell has been formed to assist the CDR forum in administrative matters and for analysis of the restructuring packages.

Some of the key features of the corporate debt restructuring system are:

- extending the scheme to entities with an outstanding exposure of Rs.100 million or more;
- requiring the support of 60.00% of creditors by number in addition to the support of 75.00% of creditors by value, with a view to making the decision-making more equitable;
- giving discretion to the CDR core group in dealing with willful defaulters in certain cases, other than cases involving fraud or the diversion of funds with *mala fide* intentions;
- linking the restoration of asset classification prevailing on the date of reference to the CDR cell to implementation of the CDR package within four months from the date of approval of the package;
- restricting the regulatory concession in asset classification and provisioning to the first restructuring, where the package also has to meet norms relating to the turn-around period, minimum sacrifice and injection of funds by promoters;
- converging in the methodology used by banks and financial institutions in the computation of economic sacrifice;
- limiting the RBI's role to providing broad guidelines for the CDR mechanism;
- enhancing disclosures in the balance sheet to provide greater transparency;
- requiring the pro rata sharing of additional finance requirements by both term lenders and working capital lenders;
- allowing one-time settlement as a part of the CDR mechanism to make the exit option more flexible; and
- requiring the valuation and regulatory treatment of non-SLR instruments acquired while funding interest or in lieu of outstanding principal.

Furthermore, the RBI has also formulated a debt restructuring mechanism in line with the CDR mechanism prevailing in the banking sector for units in the Small and Medium Enterprises Sector (“SME Sector”). The operational rules of this mechanism have been left to be formulated by the concerned banks. The bank with the maximum outstanding is permitted to work out the restructuring package, along with the bank having the second largest share. The restructured package must be implemented within 90 days from the date of receipt of such requests.

### **Interest rate on loans and advances**

The banks are required to charge interest on loans/advances/cash credits/overdrafts or any other financial accommodation granted/provided/renewed by them or discount usance bills in accordance with the directives on interest rates on advances issued by the RBI from time to time. Banks have the freedom to offer all categories of loans on fixed or floating rates, subject to conformity to their asset-liability management guidelines. The base rate has replaced the benchmark prime lending rate in India with effect from July 1, 2010. Base rate is the minimum rate below which banks are not permitted to lend, with some exceptions as specified by the RBI, from time to time. The base rate system is aimed at increasing transparency in lending rates of banks and includes all those elements of lending rates that are common across all categories of borrowers. Banks may choose any benchmark to arrive at the base rate for a specific tenor that must be disclosed transparently. The 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 and are required to review the base rate at least once in a quarter with the approval of their board of directors or the asset liability management committees according to the bank’s practice. Since transparency in the pricing of lending products has been a key objective, banks are required to exhibit the information on their base rate at all branches and also on their websites. Changes in the base rate should also be conveyed to the general public from time-to-time through appropriate channels. Banks should also provide information on the actual minimum and maximum lending rates to the RBI on a quarterly basis. As the banks are bound by the RBI’s directives on interest rates on loans and advances, which are issued under Sections 21 and 35A of the Banking Regulation Act, banks are obliged to give effect to any revision of interest rates whether upwards or downwards, on all the existing advances from the date that the directives or revised interest rate come into force, unless the directives specifically provide otherwise.

Banks are permitted to formulate a transparent policy for charging penal interest with the approval of their board of directors, provided that the policy on penal interest should be governed by well-accepted principles of transparency, fairness, incentive to service the debt and due regard to genuine difficulties of customers.

Banks need not charge a uniform rate of interest even under a consortium arrangement. Each member bank should charge rate of interest on the portion of the credit limits extended by it to the borrower, subject to the condition that such rate of interest is determined with reference to its base rate. Though interest rates have been deregulated, charging of interest beyond a certain level is seen to be usurious. The RBI has, therefore, advised the board of directors of all banks to lay out appropriate internal principles and procedures so that usurious interest, including processing and other charges, are not levied by them on loans and advances. The RBI has revised its bank rate with effect from February 13, 2012 increasing it by 350 basis points, i.e., from 6.00% per annum to 9.50% per annum. The RBI had reduced the bank rate to 8.50% with effect from March 19, 2013, and to 8.25% with effect from May 3, 2013. However, the RBI, has recently increased the bank rate to 10.25% rate with effect from July 15, 2013, to improve the domestic liquidity situation. As of July 11, 2014 the RBI bank rate was 9.00%.

On March 3, 2016, the RBI issued the following master directions — (1) Reserve Bank of India (Interest Rate on Deposits) Directions, 2016, and (2) Reserve Bank of India (Interest Rate on Advances) Directions, 2016. While the former are applicable to all scheduled commercial banks including regional rural banks accepting deposits in rupee and foreign currency, the Master Directions on the latter are applicable to all scheduled commercial banks excluding regional rural banks, granting

rupee and foreign currency advances to their customers. These two master directions, *inter alia*, provide an interest rate framework on the basis of which scheduled commercial banks charge interest on advances *or* pay interest on deposits of money subject to the terms and conditions specified therein.

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.

### **Priority sector lending**

The RBI requires all scheduled commercial banks to lend a certain percentage of their net bank credit to the priority sectors broadly consisting of: (i) agriculture (both direct finance with a target of 13.50% of adjusted net bank credit and indirect finance with a target of 4.50% of adjusted net bank credit) capping eligible direct agriculture finance to non-individuals (i.e. partnership firms, corporations and institutions) at Rs.10 million per borrower; (ii) small and micro enterprises under the manufacturing sector with original investment ceilings in plant and machinery not exceeding Rs.50 million and Rs.2.5 million respectively and small and micro enterprises under service sector with investment ceilings in original equipment not exceeding Rs.20 million and Rs.1 million respectively; (iii) micro credit (directly or indirectly through a self help group or joint liability group mechanism or to non-banking financial companies or microfinance institutions (“MFIs”) for on-lending up to Rs. 50,000 per borrower); (iv) educational loans granted directly to individuals for educational purposes up to Rs.1 million for studies in India and Rs.2 million for studies abroad or indirectly by lending to non-banking financial companies for on-lending to for educational purposes up to Rs.1 million for studies in India and Rs. 2 million for studies abroad; (v) advances sanctioned to state sponsored organizations for scheduled castes or scheduled tribes for the specific purpose of purchase and supply of inputs to and/or the marketing of the outputs of the beneficiaries of these organizations; (vi) housing loans (up to Rs.2.5 million to individuals for purchase or construction of dwelling unit per family and loans given for repairs to the damaged dwelling units of families up to Rs.0.1 million in rural and semi-urban areas and Rs.2 million in urban and metropolitan areas); (vii) weaker sections; and (viii) export credit (only for foreign banks). Total priority sector advances by banks must be 40.00% of Adjusted Net Bank Credit (“ANBC”) or credit equivalent amount of off-balance sheet (“CEOBE”) exposure, whichever is higher, as of March 31 of the previous year. Out of this, total agricultural advances are required to be up to 18.00% of ANBC or credit equivalent amount of off-balance sheet exposure, whichever is higher and advances to weaker sections are required to be up to 10.00% of ANBC or credit equivalent amount of off-balance sheet exposure, whichever is higher. Advances to the SME Sector will be reckoned in computing performance under the overall priority sector target of 40.00% of ANBC or credit equivalent amount of off-balance sheet exposure, whichever is higher. Additionally, 1.00% of total advances outstanding as at the end of the previous year is required to be lent under differential rate of interest scheme. The net bank credit should tally with the figures reported in the fortnightly return submitted under Section 42(2) of the RBI Act.

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, 12.00% of a foreign bank’s ANBC is required to be in the form of export credit. Export credit is not a part of the priority sector for domestic commercial banks.

Investments by banks in securitized assets, representing loans to various categories of priority sector, shall be eligible for classification under respective categories of priority sector (direct or indirect) depending on the underlying assets, provided the securitized assets are originated by banks and financial institutions and fulfill the RBI guidelines on securitization. Investments by banks in inter-bank participation certificates, on a risk-sharing basis, shall be eligible for classification under respective categories of priority sector, provided the underlying assets are eligible to be categorized under the respective categories of priority sector and are held for at least 180 days from the date of investment. Existing and fresh deposits placed by banks on account of non-achievement of priority sector lending targets/sub-targets would not be eligible for classification as indirect finance to agriculture/small enterprises sector, as the case may be. The rates of interest on various categories of priority sector advances will be according to the RBI directives issued from time to time. Banks cannot charge penal interest for loans under priority sector up to Rs.25,000. However, banks are free to levy penal interest for loans exceeding Rs.25,000, in terms of the guidelines set by their board of directors and subject to well-accepted principles of transparency, fairness, incentive to service the debt and due regard to difficulties of customers.

Domestic scheduled commercial banks having a shortfall in achieving priority sector target and/or agriculture target and/or weaker section target shall be allocated amounts for contribution to the RIDF established with the NABARD or funds with other financial institutions, as specified by the RBI. For the purpose of allocation of RIDF tranche or any other fund, as decided by the RBI from time to time, the achievement level of priority sector lending as of the last reporting Friday of March of the immediately preceding financial year will be taken into account.

In February 2011, the RBI issued guidelines excluding loans sanctioned to non-banking financial companies which are then lent onwards to individuals and entities with gold jewelry as collateral, from classification as direct agriculture lending under priority sector requirements. Similarly, investments made by banks in securitized assets originated by non-banking financial companies, where the underlying assets were loans against gold jewelry, and the purchase/assignment of a gold loan portfolio from non-banking financial companies were also made ineligible for classification under agriculture sector lending. In May 2011, the RBI issued guidelines which provided that bank credit to MFIs extended on, or after, April 1, 2011 for on-lending to individuals and also to members of SHGs/JLGs will be eligible for categorization as priority sector advance under respective categories viz., agriculture, micro and small enterprise, and micro credit (for other purposes), as indirect finance, provided not less than 85.00% of total assets of MFIs (other than cash, balances with banks and financial institutions, government securities and money market instruments) are in the nature of 'qualifying assets'. In addition, the aggregate amount of loans, extended for income generating activity, is not less than 70.00% of the total loans given by MFIs as notified by the RBI on June 27, 2013. Further, the above May 2011 guidelines also stated that fresh bank loans to MFIs which do not comply with the directions of the RBI as well as bank loans to all non-banking financial companies will not be reckoned as priority sector loans effective from April 1, 2011. However, the bank loans extended prior to April 1, 2011 classified under priority sector will continue to be reckoned under priority sector till maturity of such loans.

In July 2012, the RBI released revised guidelines on priority sector lending. The revised guidelines maintained the overall priority sector lending target of 40.00% of adjusted net bank credit, and also the sub-target of 18.00% towards agriculture lending. With the aim of increasing direct bank lending to farmers, self-help groups and joint liability groups, loans to corporations engaged in agriculture and allied activities were classified under indirect agriculture lending. Lending to a small or micro enterprise in the services sector was capped at Rs.10 million. The guidelines also stipulate that investments by banks in securitized assets, outright purchases of loans and assignments would be eligible for classification under the priority sector if the underlying assets themselves qualified for such treatment. Also, the interest rates charged to ultimate borrowers by the originating entities in such transactions was capped for such transactions to be classified as priority sector. Further, the priority sector target for foreign banks with 20 or more branches in India was brought on par with domestic banks with their target increasing from 32.00% of adjusted net bank credit to 40.00%.



In October 2012, the RBI decided to include loans of up to Rs.20 million to corporates or cooperatives directly engaged in agriculture and related activities to be classified as direct finance to agriculture under priority sector lending. Also, advances to housing finance companies for on-lending towards house purchase of up to Rs.1 million per borrower were included under priority sector lending.

Further, in May 2013, the Reserve Bank of India enhanced the loan limit on certain categories of priority sector lending. The categories included micro and small enterprises in the services sector where the loan limit was enhanced from Rs.20 million to Rs.50 million, bank loans to dealers/sellers of fertilizers, pesticides, seeds, cattle feed, poultry feed, agricultural implements and other inputs where the loan limit was enhanced from Rs.10 million to Rs.50 million and pledge loans to individual farmers and corporates engaged in agricultural activities from Rs.2.5 million to Rs.5 million.

Further, the guidelines on priority sector lending were revised by the Bank's circular dated April 23, 2015. The salient features of the revised priority sector lending guidelines are:

- Separate targets of 8.0% for small and marginal farmers (within the agriculture target of 18%) and 7.5% for micro industries have been prescribed to be achieved in a phased manner by 2017. These targets will be made applicable to foreign banks with 20 branches and above post 2018 after a review in 2017.
- Priority sector was widened to include medium enterprises, social infrastructure and renewable energy.
- Monitoring of priority sector lending compliance on a 'quarterly' average basis at the end of each year from 2016-17.
- A Priority Sector Lending Certificate ("PSLC") will be an eligible tradable instrument for achieving priority sector targets. The buyer (a deficient bank) will pay a 'price/ fee' to the seller bank which has exceeded its PSL requirements for purchasing a specified amount of PSL obligations applicable for a particular date.
- Educational loans (including loans for vocational courses) up to Rs.1 million irrespective of the sanctioned amount to be considered as eligible for the priority sector.
- Export credit of up to 32% of ANBC or CEOBE, whichever is higher, to be eligible as part of the priority sector for foreign banks with less than 20 branches. For domestic and foreign banks with 20 branches and above, the incremental export credit over the corresponding date of the preceding year will be reckoned up to 2% of ANBC or CEOBE (whichever is higher), as part of the priority sector.
- Foreign banks with less than 20 branches are required to achieve the total priority sector target of 40% of ANBC or CEOBE, whichever is higher, in a phased manner by 2020.
- The Central Government, by a draft notification dated February 4, 2016, has specified dealing in PSLCs in accordance with RBI guidelines, as a form of business in which it is lawful for a banking company to engage.
- Further, the RBI has issued revised priority sector lending norms applicable from fiscal 2016 onwards. The sub-targets for direct and indirect lending to the agricultural industry have been combined. Two new sub-targets, a target of 8.0% lending to small and marginal farmers and a 7.5% Lending target to micro enterprises, have been introduced and will apply in a phased manner across fiscal 2016 and fiscal 2017. The balance of the PSL requirement can be met by lending to a range of sectors, including small businesses and medium enterprises, renewable energy, social infrastructure and residential mortgages satisfying certain criteria. The target for lending to weaker sectors continues to be 10% of



ANBC. From fiscal 2017, PSL achievements would be evaluated on a quarterly average basis and not just at the fiscal year-end. Further, in July 2015, the RBI directed banks to maintain direct lending to non-corporate farmers at the banking system's average level for the last three years, which would be notified by the RBI at the beginning of each year. Failure to maintain these lending levels to non-corporate farmers will attract penalties. The RBI has also directed banks to continue to pursue the target of 13.5% of ANBC towards lending to borrowers who fell within the direct agriculture lending category under the earlier guidelines.

## **Legal reserve requirements**

### ***Cash Reserve Ratio***

Section 42(1) of the RBI Act grants the RBI the power to prescribe the minimum level of cash reserves to be deposited with the RBI by banks in India as a mechanism for managing the national money supply. The RBI carries out this mandate by requiring all scheduled commercial banks to meet or exceed a CRR. According to the RBI Master Circular on Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) dated July 1, 2015, the CRR is prescribed at 4.00% of a bank's demand and time liabilities adjusted for the exemptions discussed in paragraphs 1.11 and 1.12 of the Master Circular. No incremental CRR is required to be maintained by the banks. Liabilities of a bank may be in the form of demand or time deposits, borrowings or other miscellaneous items of liabilities. Loans or borrowings from abroad by banks in India are classified as 'liabilities to others' and are subject to reserve requirements. Upper Tier II instruments raised and maintained abroad are classified as liabilities for the computation of demand and time liabilities for the purpose of reserve requirements. Certain liabilities, including but not limited to the following, are excluded from the calculation of CRR: (i) paid-up capital, reserves, any credit balance in the profit and loss account, amount of any loan taken from the RBI, and the amount of refinance taken from the Export-Import Bank, National Housing Bank, NABARD and SIDBI; (ii) net income tax provision; (iii) amounts received from the Deposit Insurance and Credit Guarantee Corporation ("DICGC") towards claims and held by banks pending adjustments thereof; (iv) amounts received from the Export Credit Guarantee Corporation by invoking the guarantee; (v) amounts received from insurance companies for ad hoc settlements of claims pending judgment of the court; (vi) amounts received from the court receiver; (vii) liabilities arising on account of utilization of limits under the Bankers Acceptance Facility; and (viii) net unrealized gain/loss arising from derivatives transactions under a trading portfolio.

The RBI pays no interest on the CRR balances maintained by scheduled commercial banks with effect from March 31, 2007. To provide some flexibility to banks in choosing an optimum strategy of holding reserves based upon their intra-fortnight cash flows, all scheduled commercial banks are required to maintain minimum CRR balances of up to 70.00% of the average daily required reserves for a reporting fortnight on all days of the fortnight with effect from the fortnight beginning December 28, 2002. The RBI may in its monthly monetary policy statements amend provisions regarding CRR.

### ***Statutory liquidity ratio***

In addition to the CRR, a bank is required to maintain a specified percentage of its net demand and time liabilities by way of liquid assets like cash, gold or approved unencumbered securities as SLR. Section 24 of the Banking Regulation Act originally allowed the RBI to set SLR within a range from a minimum of 24.0% up to a maximum of 40.0%. However, the amendment to Section 24 of the Banking Regulation Act by the Banking Regulation (Amendment) Act, 2007 effective January 23, 2007, has removed the original minimum SLR stipulation. The RBI can now prescribe the SLR for scheduled commercial banks below 25.0%. As of July 11, 2014, the current SLR prescribed by the RBI for scheduled commercial banks is 22.50%. If a bank fails to maintain the required amount of SLR, it will be liable to pay to the RBI in respect of that default, the penal interest for that day at the rate of 3.0% per annum above the bank rate on the shortfall and if the default continues on the next succeeding working day, the penal interest may be increased to a rate of 5.0% per annum above the bank rate for the concerned days of default on the shortfall.

With effect from the fortnight beginning June 14, 2014, every scheduled commercial bank is required to continue to maintain in India prescribed assets, the value of which shall not, at the close of business on any day, be less than 22.5% of the total NDTL as of the last Friday of the second preceding fortnight valued in accordance with the method of valuation specified by the RBI from time to time. The SLR has been reduced to 21.50% of the total NDTL with effect from February 7, 2015. To align them, it has been decided to bring down the ceiling on SLR securities under HTM from 22.00% to 21.50% with effect from the fortnight beginning January 9, 2016. Thereafter, both the SLR and the HTM ceiling will be brought down by 0.25% every quarter until March 31, 2017.

### **Interest Rate Futures**

The Reserve Bank of India, on June 12, 2015, released final guidelines for the introduction of 6-year and 13-year cash settled Interest Rate Futures (IRF) on Government of India Securities with a residual maturity of 4-8 years and 11-15 years respectively. These guidelines expanded the residual maturity for the existing 10-year cash settled IRF from 9-11 years to 8-11 years. The RBI expects that this will provide market participants with greater choice and flexibility to hedge their interest rate risk across different tenors.

Prior to these guidelines being issued, the RBI issued the Interest Rate Futures (Reserve Bank) Directions, 2013 on December 5, 2013, superseding the previous Interest Rate Futures (Reserve Bank) Directions, 2009, to regulate the trading in interest rate futures. Under the Interest Rate Futures (Reserve Bank) Directions, 2013, the RBI permitted interest rate futures on 91-Day Treasury Bills, and on two-year, five-year and 10-year coupon bearing notional Government securities, and coupon bearing Government of India securities. No scheduled bank can participate in the interest rate futures market without the permission of the RBI. The RBI has permitted commercial banks to participate in interest rate futures both for the purpose of hedging the risk in the underlying investment portfolio, and also to take trading positions. However, banks are not allowed to undertake transactions in interest rate futures on behalf of their clients.

### **Subsidiaries**

Under the provisions of Section 19(1) of the Banking Regulation Act, banks may form subsidiary companies for a broad range of undertakings, including: (i) any type of banking business which they are otherwise permitted to undertake themselves under Section 6(1) of the Banking Regulation Act, (ii) any banking business exclusively outside of India, with the prior approval of the RBI and (iii) any other business purposes as may be approved by the Government. Prior approval of the RBI is required to set up a subsidiary company. Under the provisions of Section 19(2) of the Banking Regulation Act, a bank cannot hold shares in any company whether as pledgee or mortgagee or absolute owner of an amount exceeding 30.00% of the paid-up share capital of that company or 30.00% of its own paid-up share capital and reserves, whichever is less. Also, banks must observe the prudential norms stipulated by the RBI in respect to their underwriting commitments. Pursuant to such prudential norms, a bank's underwriting or the underwriting commitment of its subsidiaries under any single obligation must not exceed 15.00% of an issue.

The RBI also issues guidelines to banks on investments in subsidiaries and other companies (including investments in non-financial services companies). According to the Master Circular on para-banking Activities dated July 1, 2015 issued by the RBI, equity investments by a bank in a subsidiary company or a non-subsidiary financial services company (including financial institution, stock and other exchanges, depositories, etc.) must not exceed 10.00% of the bank's paid-up share capital and reserves. Also, equity investments by a bank in companies engaged in non-financial services activities are subject to a limit of 10.00% of the investee company's paid-up share capital or 10.00% of the bank's paid-up share capital and reserves, whichever is less as against the earlier cap of 30.00%. Further, equity investments in non-financial services companies at the group level, including investments by the bank's subsidiaries, must not exceed 20.00% of the investee company's paid-up share capital. Moreover, a bank's equity investments in subsidiaries and other entities that are engaged in financial services activities together with equity investments in entities engaged in

non-financial services activities must not exceed 20.00% of the bank's paid-up share capital and reserves. This 20.00% cap would not apply for investments classified under HFT and which are not held beyond 90 days. The sponsor bank is required to maintain an "arms length" relationship from the subsidiary or mutual fund in regards to business parameters such as: taking undue advantage in borrowing/lending funds, transferring or selling or buying of securities at rates other than market rates, giving special consideration for securities transactions, overindulgence in supporting or financing the subsidiary or financing the bank's clients through the subsidiary when the bank itself is not able or is not permitted to do so.

### **Regulations pertaining to credit exposure limits**

As a prudential measure aimed at better risk management and avoidance of concentration of credit risks, the RBI has prescribed credit exposure limits for banks and long term lending institutions in regards to their lending practices to individual and group borrowers in India. These measures are consolidated in the RBI's Master Circular on 'Exposure Norms' which is issued annually, the latest one being dated July 1, 2014. In addition, banks are also required to observe certain statutory and regulatory exposure limits in respect of advances against or investments in shares, convertible debentures or convertible bonds, units of equity-oriented mutual funds and all exposures to venture capital funds ("VCFs").

Generally, the higher of either sanctioned limits or outstanding amounts is used when determining the exposure limit. However, in the case of fully drawn term loans, where there is no scope for re-drawal of any portion of the sanctioned limit, banks may consider the outstanding amount as the exposure. Types of covered exposures include credit exposure (funded and non-funded credit limits) and investment exposure (including underwriting and similar commitments). Credit exposure comprises the following: (i) all types of funded and non-funded credit limits; and (ii) facilities extended by way of equipment leasing, hire purchase finance and factoring services. Investment exposure comprises the following: (i) investments in shares and debentures of companies; (ii) investment in bonds of public sector units; and (iii) investment in commercial papers. Investments in debentures or bonds or security receipts or pass-through certificates issued by securitization SCs or RCs as compensation consequent upon sale of financial assets will constitute exposure on the SC or RC, as the case may be. Investments made by banks in bonds or debentures of companies that are guaranteed by public financial institutions will be treated as an exposure by the bank on the public financial institution and not on the corporate, and such exposure shall be deemed to be 100.00%.

The exposure ceiling limits 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. The exposure limits are also applicable to lending under consortium arrangements.

Exposures to public sector undertakings are exempt from group exposure limits. Exemption from the individual/group borrower limit has been granted to the following: (i) existing or additional credit facilities (including funding of interest and irregularities) granted to weak or sick industrial units under rehabilitation packages; (ii) borrowers, to whom limits are allocated directly by the RBI for food credit; (iii) where principal and interest are fully guaranteed by the Government; (iv) loans and advances (both funded and non-funded facilities) granted against the security of a bank's own term deposits to the extent that the bank has a specific lien on such term deposits; and (v) exposure assumed by banks on NABARD.

Non-fund based exposures are calculated at 100.0% and, in addition, banks must include forward contracts in foreign exchange and other derivative products, like currency swaps and options, at their replacement cost value when determining individual or group borrower exposure ceilings. Apart from limiting the exposures to an individual or a group of borrowers, banks are allowed to fix internal limits for aggregate commitments to specific sectors so that the exposures are evenly spread over various sectors. These limits are subject to periodic review by the banks.

Also, banks are required to institute comprehensive prudential norms regarding the ceiling on the total amount of real estate loans as well as single or group exposure limits, margins, security, repayment schedules and availability of supplementary finance on such loans. Such a policy should be approved by a bank's board of directors.

Banks are allowed to extend credit or non-credit facilities (e.g., letters of credit and guarantees) to Indian joint ventures (only where the holding by the Indian company is more than 51.0%), wholly-owned subsidiaries abroad and step-down subsidiaries which are wholly owned by the overseas subsidiaries of Indian companies. Banks are also permitted to provide, at their discretion, buyer's credit or acceptance finance to overseas parties for facilitating export of goods and services from India. A bank's exposure, in such cases, will be subject to a limit of 20.0% of the bank's unimpaired capital funds. Further, banks must comply with Section 25 of the Banking Regulation Act which states that a bank's aggregate assets outside of India must not exceed 25.0% of the bank's demand and time liabilities within India. Moreover, banks are required to ensure that the countries in which the joint ventures or the wholly-owned subsidiaries are located have no restrictions applicable to such companies in regards to obtaining foreign currency loans or for repatriation, and should permit non-resident banks to have legal charge on securities or assets abroad and the right of disposal if necessary.

#### **Regulations pertaining to exposure to non-banking financial companies**

According to RBI guidelines, banks cannot have holdings in deposit-taking non-banking financial companies exceeding 10.0% of the paid-up capital of the non-banking financial company. This restriction does not apply to housing finance companies. Further, a bank's exposure (both lending and investment, including off-balance sheet exposure) to (i) a single non-banking financial company and (ii) a non-banking financial company classified as an asset-financing company or infrastructure finance company cannot exceed 10.0% and 15.0%, respectively, of the bank's capital funds according to its last audited balance sheet. However, banks may assume exposures on a single non-banking financial company or a non-banking financial company classified as an asset financing company or infrastructure finance company of up to 15.0% and 20.0%, respectively, of their capital funds provided the exposure in excess of 10.0% and 15.0%, respectively, is on account of funds on-lent by the non-banking financial company or the non-banking financial company classified as an asset financing company or infrastructure finance company, as the case may be, to the infrastructure sector.

#### **Limits on intra-group transaction and exposures**

In August 2012, the RBI issued draft guidelines on management of intra-group financial transactions, exposures for financial conglomerates and prudential measures for non-financial transactions. The draft guidelines prescribe an exposure limit of 5.00% of paid-up capital and reserves for non-financial services companies and unregulated financial services companies at a standalone level, and a 10.00% limit at an aggregate group level for these companies. For regulated financial companies, the limit set is 10.00% of paid-up capital and reserves on a standalone basis and 20.00% at the aggregate group level.

On February 11, 2014, RBI issued guidelines titled 'Guidelines on Management of Intra-Group Transactions and Exposures' regarding Indian banks' transactions and exposures to the entities belonging to that bank's own group ("**Group entities**"). The guidelines contain both quantitative limits for the financial intra-group transactions and exposures ("**ITEs**"), and prudential measures for the non-financial ITEs to ensure that the banks engage in ITEs in a safe and sound manner in order

to contain the concentration and contagion risk arising out of ITEs. These measures are aimed at ensuring that banks, at all times, maintain an arms' length relationship in their dealings with Group entities, meet minimum requirements with respect to group risk management and group-wide oversight, and also adhere to prudential limits on intra-group exposures. The guidelines prescribe an exposure limit of 5.00% of paid-up capital and reserves for non-financial services companies and unregulated financial services companies at a standalone level, and a 10.00% limit at a group level for these companies. For regulated financial services companies, the limit set is 10.00% of paid-up capital and reserves on a standalone basis, and 20.00% at the aggregate group level.

### **Regulations pertaining to exposure to capital markets**

According to Section 19(2) of the Banking Regulation 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. Further, shares held in demat form should also be included for the purpose of determining the exposure limit. It is important to note that this is an aggregate holding limit for each company. Moreover, while granting any advance against shares, underwriting any issue of shares, or acquiring any shares on investment account or even in lieu of debt of any company, these statutory provisions should be strictly observed. Further, in terms of Section 19(3) of the Banking Regulation Act, banks should not hold shares, whether as pledgee, mortgagee or absolute owner, in any company in the management of which any managing director or manager of the bank is in any manner concerned or interested.

The RBI guidelines governing the capital markets exposure of banks cover both direct and indirect exposures. An important unit of measure is the "aggregate exposure (of both funds and non-funds)," which comprises exposure to the following investments: (i) 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; (ii) advances against shares, bonds, debentures or other securities, or on clean basis to individuals for investment in shares, including IPOs, employees' stock option plans, convertible bonds, convertible debentures, and units of equity-oriented mutual funds; (iii) advances for any other purposes where shares, convertible bonds, convertible debentures or units of equity-oriented mutual funds are taken as primary security; (iv) advances for any other purposes to the extent secured by the collateral security of shares, convertible bonds, convertible debentures or units of equity-oriented mutual funds (i.e., where the primary security other than shares, convertible bonds, convertible debentures or units of equity-oriented mutual funds does not fully cover the advances); (v) secured and unsecured advances to stock-brokers and guarantees issued on behalf of stockbrokers and market makers; (vi) loans sanctioned to companies against the security of shares, bonds, debentures or other securities, or on a clean basis for meeting a promoter's contribution to the equity of new companies in anticipation of raising resources; (vii) bridge loans to companies against expected equity flows or issue of securities; (viii) underwriting commitments taken up by the banks regarding primary issues of shares, convertible bonds, convertible debentures or units of equity-oriented mutual funds; (ix) financing to stockbrokers for margin trading; and (x) all exposures to VCFs (both registered and unregistered).

While granting any advance against shares, underwriting any issue of shares, or acquiring any shares on investment account or even in lieu of debt of any company, the statutory provisions contained in Section 19 of the Banking Regulation Act must be strictly observed by all banks. The RBI Master Circular on 'Exposure Norms' dated July 1, 2015 provides that the aggregate exposure of a bank (both on an unconsolidated and consolidated basis) to the capital markets in all forms (both fund based and non-fund based) should not exceed 40.0% of its net worth, as of March 31 of the previous year. Within this overall ceiling, a bank's direct investment in shares, convertible bonds or convertible debentures, units of equity-oriented mutual funds and all exposures to VCFs (both registered and unregistered) must not exceed 20.0% of its net worth on both a standalone and consolidated basis. For computing the exposure to the capital markets, loans and advances sanctioned and guarantees issued for capital market operations would be reckoned with reference to sanctioned limits or outstanding, whichever is higher. However, in the case of fully drawn term loans, where there is no scope for



re-drawal of any portion of the sanctioned limit, banks may reckon the outstanding as the exposure. Further, a bank's direct investment in shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds would be calculated at their cost prices. Furthermore, the board of directors of each bank is required to evolve a policy for fixing intra-day limits and put in place an appropriate system to monitor such limits on an ongoing basis. Banks having sound internal controls and robust risk management systems can approach the RBI for higher limits, together with details thereof.

The following exposures are excluded from the above ceilings on capital markets exposure: (i) investments in subsidiaries, joint ventures, sponsored regional rural banks and investments in shares and convertible debentures and convertible bonds issued by institutions forming crucial financial infrastructure; (ii) Tier I and Tier II debt capital instruments issued by other banks; (iii) investments in certificate of deposits of other banks; (iv) investments in preference shares, non-convertible debentures and non-convertible bonds; (v) units of mutual funds under schemes where the corpus is invested exclusively in debt instruments; (vi) shares acquired by banks as a result of conversion of debt/overdue interest into equity under the CDR mechanism; (vii) term loans sanctioned to Indian promoters for acquisition of equity in overseas joint ventures or wholly-owned subsidiaries under the refinance scheme of the Export Import Bank of India; (viii) underwriting commitments, as also the underwriting commitments of subsidiaries, through the book running process for the purpose of arriving at the capital market exposure of the solo bank as well as the consolidated bank, subject to any further review by the RBI; and (ix) promoters' shares in the SPV of an infrastructure project pledged to the lending bank for infrastructure project lending.

The RBI has issued guidelines on investments by banks in non-SLR securities which apply to primary market subscriptions and secondary market purchases. Pursuant to these guidelines, banks are prohibited from investing in non-SLR securities with an original maturity of less than one year, other than commercial paper and certificates of deposits. Banks are also prohibited from investing in unrated securities. A bank's investment in unlisted non-SLR securities may not exceed 10.00% of its total investment in non-SLR securities at the end of the preceding fiscal year. However, the bank's investments in unlisted non-SLR securities may exceed the 10.0% limit by an additional 10.00%, provided the investment is in securitization papers issued for infrastructure projects and bonds/debentures issued by securitization companies and reconstruction companies set up under the SARFAESI Act and registered with the RBI. In December 2007, the RBI permitted banks to invest in unrated bonds of corporations engaged in infrastructure activities within the ceiling of 10.00% for unlisted non-SLR securities in order to encourage flow of credit to infrastructure sector.

The RBI has also issued guidelines on investments in subsidiaries and other companies, including investments in non-financial services companies whereby equity investments by a bank in a subsidiary company or other financial services company cannot exceed 10.00% of the bank's paid-up share capital and reserves. Equity investment by banks in non-financial services companies is capped at 10.00% (as opposed to an earlier cap of 30.0%) of the investee company's paid-up share capital. Equity investments in non-financial services companies at the group level, including investments by the bank's subsidiaries, cannot exceed 20.00% of the investee company's paid-up share capital. Also, overall equity investments by a bank, including investments in its subsidiaries and other companies, cannot exceed 20.00% of the bank's paid-up share capital and reserves.

The RBI guidelines require banks to be judicious when extending financing to mutual funds, and to limit loans and advances to mutual funds only to meet their temporary liquidity needs for the purpose of repurchase/redemption of units within the ceiling of 20.00% of net assets and for a period not exceeding six months. Such financing, if extended to equity-oriented mutual funds, will form part of a bank's capital market exposure.

Banks cannot extend credit to companies to be used for investment in the IPOs of other companies. Similarly, banks are not allowed to provide financing to non-banking financial companies for subsequent lending to individuals for the purpose of investing in such IPOs. However, banks may extend financial assistance to Indian companies for acquisition of equity in overseas joint ventures or



wholly-owned subsidiaries or in other overseas companies, new or existing, as strategic investment, in terms of a policy approved by their board of directors, and duly incorporated in the loan policy of the banks. Such policy should include overall limits on such financing, terms and conditions of eligibility of borrowers, security, margin, etc. Banks are free to formulate their own policies with respect to unsecured exposures (i.e., exposure where the realizable value of the security, as assessed by the bank or approved appraisers or the RBI's inspecting officers, is not more than 10.0%, of the outstanding exposure, *ab initio*).

The RBI requires that any investment by a bank in subordinated debt instruments, representing Tier II capital, issued by other banks and financial institutions must not exceed 10.0% of the investing bank's capital, including Tier II capital and free reserves. Moreover, the RBI has imposed a ceiling of 10.0% of capital funds (Tier I plus Tier II capital) on investments by banks and financial institutions in equity shares, preference shares eligible for capital status, subordinated debt instruments, hybrid debt capital instruments and any other instrument approved as in the nature of capital, issued by other banks and financial institutions. Investments in instruments that are not deducted from the Tier I capital of the investing bank or financial institution are subject to a 100.0% risk weight for credit risk for capital adequacy purposes. The risk weight for credit risk exposure in capital markets has been increased to 125.0% from 100.0% in July 2005. In December 2011, the RBI gave notice that investments in paid-up equity of financial entities, which are specifically exempted from capital market exposure, would also be assigned a 125.0% risk weight, thus bringing all capital market investments to par. Further, banks and financial institutions cannot acquire any fresh stake in a bank's equity shares, if by such acquisition, the investing bank's or financial institution's holding exceeds 5.00% of the investee bank's equity capital. Banks with investments in excess of the prescribed limits were required to apply to the RBI with a roadmap for reduction of the exposure. The guideline requires banks to obtain prior approval of the Reserve Bank of India for equity investment in a company engaged in the financials sector and such investments are held under the held-for-trading category.

#### **Regulations pertaining to investment classification and valuation norms**

The RBI has issued guidelines on July 1, 2015 to banks by a Master Circular on the classification, valuation and operation of investment portfolios. Among these guidelines is the requirement that banks must adopt conforming internal investment policies and that such policies must be approved by the board of directors. In order for a bank to invest in equity shares or debentures, it must meet the following requirements: (i) build up adequate expertise in equity research by establishing a dedicated equity research department, as warranted by its scale of operations; (ii) formulate a transparent policy and procedure for investment in shares with the approval of its board of directors; and (iii) establish an investment committee, sanctioned by the board of directors, to make decisions regarding direct investments in shares, convertible bonds and debentures, and to be accountable for any investments decided upon. Further, with the approval of the board of directors, a bank should clearly define: (i) the broad investment objectives to be followed while undertaking transactions in securities on behalf of its own investment account and on behalf of its clients, (ii) the authority to put through deals, (iii) the procedures to be followed for obtaining the sanction of the appropriate authorities, (iv) the procedures to be followed while putting through deals, and (v) the various prudential exposure limits and the system of reporting. Banks are permitted to make fresh investments and to hold bonds and debentures, privately placed or otherwise, only in dematerialized form.

Investment in non-SLR securities by banks is subject to the prudential norms prescribed by the RBI. Banks are not permitted to invest in non-SLR securities of original maturity of less than one-year, other than (i) commercial papers; (ii) certificates of deposit; and (iii) non-convertible debentures with original or initial maturity up to one year issued by corporates (including non-banking financial companies) in accordance with RBI guidelines. Also, banks are not permitted to invest in unrated non-SLR securities. While making fresh investments in non-SLR debt securities, banks are required to ensure that such investments are made only in listed debt securities of companies which comply with the requirements of the SEBI guidelines. Moreover, a bank's investment in unlisted non-SLR securities cannot exceed 10.0% of its total investment in non-SLR securities as of March 31,

of the previous year, and such investment must comply with the disclosure requirements as prescribed by the SEBI for listed companies. A bank's investment in unlisted non-SLR securities may exceed the limit of 10.0%, by an additional 10.0%, provided the investment is on account of investment in securitization papers issued for infrastructure projects, and bonds or debentures issued by SCs and RCs set up under the SARFAESI Act and registered with the RBI. Generally, "unlisted non-SLR securities," for computing compliance with the prudential limits, do not include: (i) investments in security receipts issued by SCs or RCs registered with the RBI; (ii) investment in unlisted convertible debentures; and (iii) asset backed securities and mortgage backed securities with a minimum investment grade credit rating.

Under the aforementioned Master Circular on 'Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks' dated July 1, 2015, investment portfolios (including SLR securities and non-SLR securities) are classified under three categories: (i) held to maturity ("HTM"); (ii) or available for sale ("AFS"); and (iii) or held for trading ("HFT"). Banks should decide the category of the investment at the time of acquisition and the decision should be recorded on the investment proposals. Also, securities acquired by a bank with the intention to hold them up to maturity will be classified under HTM. Banks are allowed to hold investments under the HTM category up to 25.0% of their total investments. Banks are allowed to exceed this limit provided that: (i) the excess comprises only SLR securities; and (ii) the total SLR securities held in the HTM category is not more than 22.50% with effect from July 11, 2015 and 22% with effect from September 19, 2015 of their demand and time liabilities as of the last Friday of the second preceding fortnight. The following investments are required to be classified under HTM but are excluded from the 25.0% ceiling limitation: (i) re-capitalization bonds received from the Government towards their re-capitalization requirement and held in their investment portfolio but excluding re-capitalization bonds of other banks acquired for investment purposes; (ii) investment in the equity of subsidiaries and joint ventures (in which the bank, along with its subsidiaries, holds more than 25.0% of the equity); and (iii) investment in the long-term bonds (with a minimum residual maturity of seven years) issued by companies engaged in infrastructure activities. The non-SLR securities, held as part of HTM as of September 2, 2004 may remain in that category. No fresh non-SLR securities, are permitted to be included in HTM, except the following: (i) fresh re-capitalization bonds received from the Government, towards their re-capitalization requirement and held in their investment portfolio; (ii) fresh investment in the equity of subsidiaries and joint ventures; (iii) RIDF/SIDBI/RHDF deposits; and (iv) investment in long-term bonds (with a minimum residual maturity of seven years) issued by companies engaged in infrastructure activities. Profits on sales of investments in the HTM category should be first taken to the profit and loss account, and thereafter appropriated to the capital reserve account. Losses on sales will be recognized in the profit and loss account. In May 2013, the RBI announced that the level of government securities portfolio permitted to be included in the HTM category in excess of the overall limit of 25.00% of the investment portfolio permitted to be classified as HTM, was reduced from 25.00% of demand and time liabilities to 23.00% of demand and time liabilities, in line with the present SLR requirement, with the reduction to be implemented in a phased manner with 50 basis points being reduced every quarter beginning from the quarter ended June 30, 2013.

Any securities acquired by the banks intending to trade by taking advantage of the short-term price or interest rate movements will be classified under HFT. The securities classified under HFT must be sold within 90 days. Securities which do not fall within either HTM or HFT are classified as AFS. Banks have the freedom to decide on the extent of holdings under HFT and AFS, provided they consider various aspects such as basis of intent, trading strategies, risk management capabilities, tax planning, manpower skills and capital position. Profit or loss on sale of investments in both HFT and AFS categories is taken to the profit and loss account.

A bank may shift investments to or from HTM with the approval of its board of directors once a year. Such shifting will normally be allowed at the beginning of the accounting year. A bank may shift investments from AFS to HFT with the approval of its board of directors, the ALCO, or the

investment committee. Shifting of investments from HFT to AFS is generally not allowed except for exceptional circumstances (e.g., not being able to sell the security within 90 days due to tight liquidity conditions, extreme volatility, or due to the market becoming unidirectional) and only with the approval of the board of directors, ALCO, or the investment committee.

Investments classified under HTM need not be marked to market and will be carried at acquisition cost, unless it is more than the face value, in which case the premium should be amortized over the period remaining to maturity. The individual scrips in the AFS category will be marked to market at quarterly or at more frequent intervals and provided for as in the case of scrips in the AFS category. The individual scrips in the HFT category will be marked to market at monthly or at more frequent intervals. Banks are permitted to undertake repos from any of these three categories of investments (i.e., HFT, AFS and HTM).

Investments in security receipts or pass-through certificates issued by asset reconstruction companies or trusts set up by asset reconstruction companies should be valued at the lower of the redemption value of the security receipts or pass-through certificates and the net book value of the financial asset.

### **Country risk management**

The RBI issued detailed guidelines on February 19, 2013 pursuant to which banks are required to institute appropriate procedures for dealing with country risk problems. Banks should have in place contingency plans and clear exit strategies, which would be activated at times of crisis. Appropriate systems and procedures must be laid down with the approval of the board of directors to handle situations involving significant changes in conditions in any country. In particular, where a bank's net funded exposure is 2.0% or more of its total assets, the bank is required to formulate the country risk management policy for dealing with that country risk problem. Exposure limits for any country should not exceed its regulatory capital, except in the case of the insignificant risk category. The RBI may, if it becomes necessary, prescribe a prudential aggregate country exposure limit for the higher risk categories. The countries are categorized into seven risk categories, namely: insignificant, low, moderate, high, very high, restricted and off-credit, and provisioning is made on exposures exceeding 180 days on a graded scale ranging from 0.25% to 100.00%. The provision for country risk shall be in addition to the provisions required to be held according to the asset classification status of the asset. Banks may not make any provision for 'home country' exposures (i.e., exposure to India). However, the exposures of foreign branches of Indian banks to the host country will have to be included.

### **Fraud risk management**

The RBI has issued guidelines on fraud risk management systems for banks, highlighting the need for the same in light of the increasing incidence of bank frauds. The fraud risk management, fraud monitoring and fraud investigation functions are the responsibility of a bank's chief executive officer, its audit committee of the board and the special committee of the board, at least in respect of high value frauds. Banks are also required to frame internal risk management and investigation policies based on the governance standards relating to the ownership of the function and accountability for malfunctioning of the fraud risk management process in their banks, which are to be appraised by their senior management. The RBI has also recommended operational measures for minimization of risks such as follow-up investigations into large-value frauds, forensic audit measures and post-facto fraud investigations. Banks must strictly adhere to the guidelines for reporting fraud cases to the RBI; failing which, banks would be liable for penal action prescribed under Section 47(A) of the Banking Regulation Act. RBI has advised all scheduled commercial banks (excluding regional rural banks) and all India select financial institutions to follow the 'Framework for fraud risk management in banks' with effect from May 7, 2015. In 2016, the RBI issued master directions on fraud, regulating the process for classification and reporting with a view to making fraud reporting by banks centralized, and so all reporting will now have to be made to the CFMC. Pursuant to this direction, the following important changes have taken place:

1. frauds involving sums above 1 lakh and up to 25 lakhs should be reported to the Central Fraud Monitoring Cell (CFMC) in FMR 1, within 3 weeks of detection. Monthly certificates on such fraud should be submitted to the CFMC as well as the regional office of the RBI under whose jurisdiction the head office of the bank is situated.
2. banks may close fraud cases involving up to Rs.2.5 lakhs where:
  - (a) the charge sheet for the fraud has not been filed with the court for 3 years from the date of the filing of the FI; or
  - (b) the court trial has not yet started or is ongoing.

### **Consolidated supervision guidelines**

The RBI has issued guidelines for consolidated accounting and consolidated supervision for banks. The principal features of these guidelines are: (i) banks are required to prepare consolidated financial statements intended for public disclosure; (ii) banks are required to submit to the RBI, consolidated prudential returns reporting their compliance with various prudential norms on a consolidated basis, excluding insurance subsidiaries and group companies engaged in businesses not pertaining to financial services; and (iii) application of certain prudential regulations like capital adequacy, large exposures/risk concentration, etc., on a group basis. Consolidated financial statements are required to be prepared in terms of Accounting Standard 21 and other related Accounting Standards prescribed by the Institute of Chartered Accountants of India including Accounting Standard 23 and Accounting Standard 27. Consolidated financial statements should normally include a consolidated balance sheet, a consolidated statement of profit and loss, significant accounting policies and notes on accounts.

### **Conglomerate reporting and supervision**

Since June 2004, the Group has been designated as a financial conglomerate as its operations straddle more than one financial market segment and it has a significant presence in one segment (i.e., banking). Under the supervisory framework for financial conglomerates, the Bank is required to report to the regulator on the following risk areas:

- large intra-group transactions carried out for any purpose;
- the build-up of any disproportionate exposure (both fund-based and non-fund-based) of any Group entity to other Group entities;
- any Group-level concentration of exposure to various financial market segments;
- counterparties outside the Group;
- direct and indirect cross-holdings;
- shared directors and auditors; and
- other significant aspects, such as intra-Group advisory and service arrangements.

The Group has adopted appropriate internal controls and risk management systems to manage the above risks by putting in place appropriate prudential limits and firewalls. In May 2008, the RBI added a new guideline requiring a bank's board of directors to record any intent to temporarily hold an investment in a subsidiary, associate or a joint venture. In the absence of such a record of intent at the time of an investment, the investment would be taken into account for the purpose of consolidation.

## **Foreign currency borrowings by Indian banks**

In March 2006, in view of enhanced stability in India's external and financial sectors and increased integration of the financial sector in the global economy, the RBI constituted a committee to set out a roadmap towards fuller capital account convertibility. The committee submitted its report in July 2006.

In October 2006, the RBI proposed to allow banks to borrow funds from their overseas branches and correspondent banks (including borrowings for financing export credit, external commercial borrowings and overdrafts from their head office/NOSTRO account) up to a limit of 50.00% of unimpaired Tier I capital or U.S.\$10 million, whichever is higher, as against the earlier overall limit of 25.00% (excluding borrowings for financing export credit). However, short-term borrowings up to a period of one year or less should not exceed 20.00% of unimpaired Tier I capital within the overall limit of 50.00%. In April 2007, the RBI issued a circular deferring the implementation of the above guidelines until further notice. In October 2008, banks were permitted to borrow funds from their overseas branches and correspondent banks to the extent of 50.00% of their unimpaired Tier I capital or U.S.\$10 million, whichever is higher.

All of the regulations and guidelines issued by the RBI, as amended from time to time, in connection with foreign currency borrowings by banks in India have been consolidated in the Master Circular on Risk Management and Inter-Bank Dealings dated July 1, 2015 ("**Inter-Bank Dealings Guidelines**"). Under the Inter-Bank Dealings Guidelines, banks in India are not allowed to borrow funds from their overseas branches and correspondent banks (including borrowings for financing export credit, external commercial borrowings and overdrafts from their head office/NOSTRO account) in excess of 100.00% of unimpaired Tier I capital or U.S.\$10 million (or its equivalent), whichever is higher. The borrowings beyond 50.00% of unimpaired Tier I capital of banks will be subject to the conditions mentioned in the Master Circular. The aforesaid limit applies to the aggregate amount availed of by all the offices and branches in India from all their branches or correspondents abroad and also includes overseas borrowings in gold for funding domestic gold loans. Capital funds raised by issue of innovative perpetual debt instruments and other overseas borrowings with the specific approval of the RBI would continue to be outside the limit of 100.00% or U.S.\$10 million (or its equivalent), whichever is higher.

## **The Depositor Education and Awareness Fund ("DEAF") Scheme, 2014 — Section 26A of Banking Regulation Act, 1949**

The RBI has advised that banks shall calculate the cumulative balances in all eligible accounts which are unclaimed for more than ten years along with interest accrued, as of the day prior to May 23, 2014, and such amounts due should be transferred to the Depositor Education and Awareness Fund on June 30, 2014 (before the close of banking hours). Subsequently, the amount due in each calendar month shall be transferred on the last working day of the subsequent month.

## **Regulations relating to sale of assets to asset reconstruction companies**

The SARFAESI Act governs sales of financial assets by banks and financial institutions to asset reconstruction companies. Under the SARFAESI Act, secured creditors have been given the power to enforce their security interests in the event the borrower defaults on the payment of secured debt, without requiring the intervention of courts or tribunals. The remedies available to secured creditors are: (a) taking possession of the secured assets of the borrower, along with a right to transfer by way of lease, assignment or sale; (b) taking over the management of the business of the borrower, along with the right to transfer by way of lease, assignment or sale, provided that the right to transfer by way of lease, assignment or sale for realizing the secured asset is exercisable only if a substantial part of the business of the borrower is held as security by the secured creditor; (c) appointing any person as a manager of the secured asset (such person could be the reconstruction company if they do not accept any pecuniary liability); and (d) recovering receivables of the borrower in respect of any secured asset which has been transferred.



Rights under the SARFAESI Act cannot be enforced unless the account of the borrower has been classified as an NPA in the books of account of the secured creditor in accordance with the directions or guidelines issued by the RBI. The secured creditors must serve a 60-day notice on the borrower demanding repayment of the amount due and specifying the borrower's assets over which the bank proposes to exercise remedies. If the borrower still fails to pay, the secured creditors, on expiry of the 60-day notice period, can: (i) take possession of the secured assets; (ii) take over the management of the secured assets along with the right to transfer by way of lease, assignment or sale of the secured assets; (iii) appoint any person to manage the secured assets; and (iv) require any person who has acquired any of the secured assets from the borrower to pay amounts necessary to satisfy the debt. The security interests covered by the SARFAESI Act are security interests over immovable and movable property, existing or future receivables, certain intangible assets (such as know-how, patents, copyrights, trademarks, licenses, franchises) and any debt or any right to receive payment of money, whether secured or unsecured. Security interests over ships and aircraft, any statutory lien, a pledge of movables, contractual rights and goodwill are not enforceable under the SARFAESI Act. In the event that the secured creditor is unable to recover the entire sum due by exercise of the remedies under the Act in relation to the assets secured, such secured creditor may approach the Debt Recovery Tribunal (“DRT”) or the relevant court for the recovery of the balance amounts.

The RBI has also issued guidelines to banks on the process to be followed for sales of the financial assets to asset reconstruction companies. These guidelines provide that a bank may sell financial assets to an asset reconstruction company provided the asset is an NPA. These assets are to be sold on a ‘without recourse’ basis only. A bank may also sell a Standard Asset only if (i) the borrower has a consortium or multiple banking arrangements; (ii) at least 75.00% by value of the total loans to the borrower are classified as non-performing; and (iii) at least 75.00% by the value of the banks and financial institutions in the consortium or multiple banking arrangement agree to the sale. The banks selling financial assets should ensure that there is no known liability devolving on them and they do not assume any operational, legal or any other type of risks relating to the financial assets sold. Further, banks may not sell financial assets at a contingent price with an agreement to bear a part of the shortfall on ultimate realization. However, banks may sell specific financial assets with an agreement to share in any surplus realized by the asset reconstruction company in the future. No credit for expected profit will be taken until profit materializes on actual sale. Whilst each bank is required to make its own assessment of the value offered in the sale before accepting or rejecting an offer for purchase of financial assets by an asset reconstruction company, in consortium or multiple banking arrangement where more than 75.00% by value of the banks or financial institutions accept the offer, the remaining banks or financial institutions are obliged to accept the offer. Consideration for the sale may be in the form of cash, bonds or debentures or security receipts or pass through certificates issued by the asset reconstruction company or trusts set up by it to acquire the financial assets. Banks can also invest in security receipts or pass-through certificates issued by the asset reconstruction company or trusts set up by it to acquire the financial assets. Banks can reverse excess provision arising out of sale of NPAs (sold prior to February 26, 2014 to SCs/RCs) only when the cash received (by way of initial consideration and/or redemption of security receipts/pass through certificates) is higher than the NBV of the NPAs sold to SCs/RCs. Further, the quantum of excess provision reversed to profit and loss account will be limited to the extent to which cash received exceeds the NBV of the NPAs sold. Banks shall make the disclosure of the Book value of investments in security receipts in the Notes to Accounts in their Annual Financial Statements.

Pursuant to the powers conferred upon the Government under Section 20 of the SARFAESI Act, the Ministry of Finance has announced the establishment of the central electronic registry (“CER”), which become operational as of March 31, 2011. Henceforth, all transactions relating to securitization, reconstruction of financial assets and those relating to mortgage by deposit of title deeds to secure any loan or advances granted by banks and financial institutions, are to be registered with the CER within 30 days of such transaction.



The records in the CER may be searched by any lender or any other person desirous of dealing with the secured property. The CER is a valuable tool in preventing frauds involving multiple loans against the same security as well as fraudulent sales of property due to failures of disclosure of existing security interests over such property.

In January 2013, the SARFAESI Act was amended by the Enforcement of Security Interest and Recovery of Debt Laws (Amendment) Act, 2012. Pursuant to the amendment, means for recovery of assets available to banks and financial institutions have been strengthened. For instance, securitization and reconstruction companies have been permitted to convert part of their debt into shares of a borrower company for the purpose of asset reconstruction. Furthermore, banks and financial institutions have been empowered to accept immovable property in full or partial satisfaction of the bank's claim against the defaulting borrower in times when they cannot find a buyer for the securities. The amendment also enables banks and financial institutions to enter into settlement or compromise with the borrower and empowers DRTs to pass an order acknowledging any such settlement or compromise.

Pursuant to the Union Budget 2016-17, certain amendments have been proposed to be made to the SARFAESI Act to enable the sponsor of an Asset Reconstruction Company (ARC) to hold up to 100% stake in the ARC and permit non-institutional investors to invest in the securitization receipts.

The SARFAESI Act has been further amended by the Enforcement of Security Interest and Recovery of Debt Laws and Miscellaneous Provisions (Amendment) Act, 2016. The Amendment Act came into force on August 16, 2016. The Amendment Act amends four laws: (i) the SARFAESI Act; (ii) the RDDBFI Act; (iii) the Indian Stamp Act, 1899; and (iv) the Depositories Act, 1996.

Under the SARFAESI Act, secured creditors can take possession of collateral, against which a loan had been provided, upon a default in repayment which can also be effected with the assistance of the district magistrate. The Amendment Act provides that this process will have to be completed within 30 days by the district magistrate.

In addition, it: (i) empowers a district magistrate to assist banks in taking over the management of a company, in cases where the company is unable to repay loans by converting debt into equity shares and consequently hold a 51% or more stake in the company; (ii) creates a central database to integrate the records of property registered under various registration systems with this central registry and secured creditors will not be able to take possession of the collateral unless it is registered with the central registry; (iii) provides that stamp duty will not be charged on transactions for the transfer of financial assets in favour of asset reconstruction companies; and (iv) provides that secured creditors will not be able to take possession of the collateral unless it is registered of the central registry. Further, these creditors, after registration of their security interests, will have priority over others in the repayment of dues.

### **The Recovery of Debts Due to Banks and Financial Institutions Act, 1993**

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.1 million. The RDDBFI Act provides for the constitution of DRTs, before which banks and financial institutions may file applications for recovery of debts. DRTs may pass orders as may be deemed fit along with: (i) a recovery certificate to such effect from the presiding officer of the respective DRT; (ii) directions for attachment of the properties secured towards the dues to the bank or financial institution; (iii) injunctive orders restraining the debtors from alienating, transferring or disposing of such secured properties; (iv) appointment of receivers and/or local commissioners with respect to such secured properties; and (v) distribution of proceeds from sale of such secured properties towards dues payable to the applicant banks and financial institutions.

Pursuant to the recovery certificate issued by a DRT, the recovery officer of the respective DRT shall effectuate the final orders of the DRT in the application. Unless such final orders of the DRT 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, which is the appellate authority constituted under the RDDBFI Act. The order passed by the debt recovery appellate tribunal is final and binding and can be challenged only on certain limited grounds by way of writ proceeding in the High Court of the state in which the debt recovery tribunal is established. Upon enactment of the RDDBFI Act, all original suits filed before various courts and authorities in India were transferred before the DRTs in the same jurisdiction for adjudication and disposal. Claims of Rs.1 million and below continue to be filed in the respective civil courts having jurisdiction over the subject matter.

The Act was amended in 2016 by the Enforcement of Security Interest and Recovery of Debt Laws and Miscellaneous Provisions (Amendment) Act, 2016. Pursuant to the amendment, banks are allowed to file cases with tribunals having jurisdiction over the area of the bank branch where the debt is pending. In addition, the Act provides the following (i) certain procedures under the Act will be undertaken in electronic form. These include the presentation of claims by parties and summons issued by tribunals under the Act; (ii) details of procedures that tribunals will follow in the case of debt recovery proceedings. This includes a duty on applicants to specify the assets of the borrower which have been collateralized; and (iii) time limits for the completion of some of the procedures.

### **Guidelines on securitization of standard assets**

The RBI has issued guidelines on the securitization of standard assets. The guidelines provide that for a transaction to be treated as a securitization, a two-stage process must be followed. In the first stage, there should be a pooling and transferring of assets to a bankruptcy remote vehicle (i.e., a SPV). In the second stage, there should be a repackaging and selling of the security interests representing claims on incoming cash flows from the pool of assets to third-party investors. Further, for enabling the transferred assets to be removed from the balance sheet of the seller, the isolation of assets, or “true sale,” from the seller or originator to the SPV is an essential prerequisite. Also, an arm’s length relation shall be maintained between the originator or seller and the SPV.

Certain regulatory norms for capital adequacy, valuation, profit and loss on sale of assets, income recognition and prudential norms for investment in securities issued by the SPV, provisioning for originators and service providers like credit enhancers, liquidity support providers, underwriters, as well as investors and also the accounting treatment for securitization transactions and disclosure norms have been prescribed. Quarterly reporting to the audit sub-committee of the board by originating banks of the securitization transactions has also been prescribed. Apart from banks, these guidelines are also applicable to financial institutions and non banking financial institutions.

With a view to developing an orderly and healthy securitization market, and ensuring alignment of originators and investors’ interests, the RBI issued guidelines on securitization in May 2012. Under these guidelines, all on-balance sheet standard assets are eligible for securitization, except for revolving credit facilities, mortgage backed securities and asset backed securities. Loans must also meet a minimum holding period requirement, based on the maturity and repayment frequency of the loan, in order to be eligible for securitization. A minimum retention requirement is prescribed to ensure that the originating banks have a continuing stake in the performance of the securitized assets. The total exposure of banks to the securitized loans cannot exceed 20% of the total securitized instruments, and any exposure in excess of this limit must be risk-weighted at 1111%. In 2013, the RBI issued ‘Guidelines on Reset of Credit Enhancements in Securitization Transactions’ wherein it was stated that resets can be applied to external forms of credit enhancement provided by a third party or the originator, which is in first or second loss position. The original amount of external credit enhancements provided at the time of initiation of securitization transaction can be reset by the credit enhancement provider subject to the conditions. By a notification dated March 24, 2014, the RBI extended the applicability of these guidelines to securitization transactions undertaken by Non-Banking Finance Companies (“NBFCs”).

## **Guidelines on sale and purchase of NPAs**

The RBI issued guidelines on the sale and purchase of NPAs between banks, financial institutions and non-banking financial companies. These guidelines require the board of directors of a bank to establish a policy for the purchase and sale of NPAs. Purchase and sale of NPAs must be without recourse to the seller and on cash basis and with the entire consideration being paid upfront. An asset must have been classified as non-performing for at least two years by the seller to be eligible for sale. The purchasing bank must hold the NPA in its books for at least 15 months before it can sell the asset to another bank. The asset cannot be sold back to the original seller. In respect of sales, banks have been instructed to calculate the net present value of the estimated cash flows associated with the realizable value of the available asset, net of the cost of realization. The sale price should not be lower than the net present value. The RBI has instructed banks to follow the same procedure in the case of compromise settlements.

## **Limit on transactions through individual brokers**

Guidelines issued by the RBI require banks, with the approval of their managements, to prepare a panel of approved brokers which should be reviewed annually, or more often if so warranted. Clear-cut criteria should be laid down for empanelment of brokers, including but not limited to verification of their creditworthiness and market reputation. A disproportionate part of the business should not be transacted through only one or a few brokers. Banks should fix aggregate contract limits for each of the approved brokers. A limit of 5.00% of total transactions (both purchase and sales) entered into by a bank during a year should be treated as the aggregate upper contract limit for each of the approved brokers. This limit should cover both the business initiated by a bank and the business offered/brought to the bank by a broker. Banks should ensure that the transactions entered into through individual brokers during a year normally do not exceed this limit. However, if for any reason it becomes necessary to exceed the aggregate limit for any broker, the specific reasons should be recorded in writing by the authority empowered to put through the deals. Further, the board should be informed of this, post facto. However, the norm of 5% would not be applicable to banks' dealings through PDs. Inter-bank securities transactions should be undertaken directly between banks and no bank should engage the services of any broker in such transactions.

## **Restriction on short-selling**

The RBI does not permit short selling of securities by banks, except short-selling of government securities. In its circular dated December 28, 2011, the RBI extended the period of maintenance of short position in government securities from five days to a maximum period of three months (including the day of trade), which became effective from February 1, 2012. The RBI has permitted banks to sell Government securities already contracted for purchase, provided that the purchase contract is confirmed and the contract is guaranteed by the Clearing Corporation of India Limited, or the security is contracted for purchase from the RBI. Each security is deliverable or receivable on a net basis for a particular settlement cycle. The RBI has also permitted a "when issued" market in government securities in order to further strengthen the debt management framework. Pursuant to the Union Budget 2016-17, it is proposed that the RBI will facilitate retail participation in government securities.

The RBI has permitted the banks to undertake short-sales of Government dated securities, subject to the short position being covered within a maximum period of five trading days, including the day of trade. In other words, the short-sale position initiated today (trade date, T+0) will have to be covered on or before close of the T+4 day. Such short positions shall be covered only by outright purchase of an equivalent amount of the same security. The short positions may be reflected in 'Securities Short Sold (SSS) A/c', specifically created for this purpose. The sale leg of the transaction should be executed only on the Negotiated Dealing System-Order Matching ("NDS-OM") platform. The cover leg of the short sale transaction can however be executed either on or outside the NDS-OM platform. The sale leg as well as the cover leg of the transaction should be accounted in the HFT category. At no point in time should a bank accumulate a short position (face value) in any security

in the HFT category in excess of the following limits: (i) 0.25% of the total outstanding stock issued of each security in case of securities other than liquid securities; and (ii) 0.50% of the total outstanding stock issued of each security in case of liquid securities. Since securities that are short sold are to be invariably delivered on the settlement date, banks are permitted to meet their delivery obligations by acquiring securities in the repo market.

Banks are required to put in place a written policy on short-sales, which should be approved by their respective board of directors. The policy should lay down the internal guidelines which should include, *inter alia*, risk limits on short positions, an aggregate nominal short-sale limit (in terms of face value) across all eligible securities, stop loss limits, the internal control systems to ensure adherence to regulatory and internal guidelines, reporting of short-selling activity to the board of directors and the RBI, procedures to deal with violations, etc. Banks are also required to put in place a system to detect violations, if any, preferably immediately but certainly within the same trading day.

### **Holding companies**

In August 2007, the RBI issued a discussion paper on holding companies in banking groups, on which it has invited comments. In the discussion paper, the RBI has stated that there are advantages in having a financial or bank holding company structure, for which a proper legal framework needs to be created. However, it has stated that it would be desirable to avoid intermediate holding company structures. In November 2007, the RBI communicated that it would study the feedback received on the discussion paper from a legal and regulatory perspective before initiating further action. In the annual policy review for fiscal year 2011, the RBI announced the formation of a working group with representatives from the Government, various regulatory authorities and banks for drawing a roadmap for the introduction of a holding company structure. The report of the working group was released in May 2011 with key recommendations favoring a financial holding company structure for the financial sector, particularly large financial groups with a separate regulatory framework for these holding companies. In the Union budget for fiscal year 2013, the Finance Minister of India proposed the creation of a finance holding company to raise funds to meet the capital requirements of PSU banks.

### **Setting up of Wholly Owned Subsidiaries by Foreign Banks**

On November 6, 2013, the RBI published the ‘Scheme for Setting up of Wholly Owned Subsidiaries by foreign banks in India’ (the “**WOS Scheme**”). The main objective of the WOS Scheme is to ensure that there is a clear delineation between the assets and liabilities of the domestic bank and those of its foreign parent and ring fencing capital and assets within India. The WOS Scheme does not make it mandatory for all foreign banks in India to adopt the wholly owned subsidiary (“**WOS**”) structure. However, the WOS Scheme mandates that a foreign bank can only operate in India through a ‘single mode of presence’, i.e., either through a WOS or through branches.

In order to incentivise foreign banks to adopt the WOS structure, the biggest incentive being offered by RBI under the WOS Scheme is the near national treatment with respect to branch expansion plans of foreign banks who adopt the WOS structure. Under the WOS Scheme, the RBI will follow the procedure prescribed under section 44A of the Banking Regulation Act, which contains provisions regarding bank mergers. The WOS Scheme will be applicable in the following manner:

- Foreign banks which commenced business in India before August 2010 have the option to either continue their business through the branch mode or to convert their branches into a WOS in accordance with the WOS Scheme. However, all foreign banks can only operate through a ‘single mode of presence’ (i.e., either branches or a WOS) in India.
- A foreign bank which either (i) commenced business in India after August 2010 or (ii) which applies to the RBI for a new license hereafter, would be required to mandatorily adopt the WOS structure, if it meets any of the following criteria:

- (a) it is incorporated in a jurisdiction which gives domestic depositors a preferential claim on liquidation or does not require adequate disclosures to regulators;
- (b) it has a 'complex structure';
- (c) it is not widely held;
- (d) it is incorporated in a jurisdiction with unsatisfactory supervisory arrangements (including disclosure requirements) and market discipline;
- (e) it is considered systemically important by the RBI due to the size of its business, i.e., once the assets of the foreign bank (operating under branch mode of presence in India) in Indian books (on balance sheet and credit equivalent of off-balance sheet items) become 0.25% of the total assets (inclusive of credit equivalent of off-balance sheet items) of all scheduled commercial banks in India as of 31 March of the preceding year; and
- (f) for any other reason that the RBI considers the bank to be mandatorily present through a WOS.

### **Regulations relating to deposits**

With effect from October 22, 1997, the RBI has allowed commercial banks to fix their own interest rates on domestic term deposits of various maturities with the prior approval of their respective board of directors or ALCO, as the case may be. Banks are now able to offer varying rates of interest for different sizes of deposits above a cut-off point. However, banks are not permitted to pay interest on current account deposits. Until October 2011, the savings deposits interest rate was regulated by the RBI. In October 2011, the RBI decided to deregulate the savings bank deposit interest rate and allowed the banks to determine their savings bank deposit interest rates, subject to the following two conditions: (i) first, each bank will have to offer a uniform interest rate on savings bank deposits up to Rs.0.10 million, irrespective of the amount in the account within this limit; and (ii) second, for savings bank deposits over Rs.0.10 million, a bank may provide differential rates of interest, if it so chooses, subject to the condition that the bank will not discriminate in the matter of interest paid on such deposits between one deposit and another of similar amount accepted on the same date at any of its offices. Further, the interest rates applicable on the domestic savings deposit will be determined on the basis of the end-of-day balance in the account. Accordingly, while calculating interest on domestic savings bank deposits, banks are required to apply the uniform rate derived from the end-of-day balance up to Rs.0.10 million and for any end-of-day balance exceeding Rs.0.10 million, banks may apply differential rates. In respect to savings and time deposits accepted from employees, banks are permitted by the RBI to pay an additional interest of 1.00% over the interest payable on deposits from the public. In December 2011, the RBI deregulated interest rates on non-resident (external) Rupee deposits and ordinary non-resident accounts, allowing banks to determine the interest rate on savings and term deposits of one year maturity and above. The RBI guidelines require that payment of interest be calculated on savings bank account deposits on a daily product basis since April 1, 2010.

Banks cannot grant advances against fixed deposit receipts or other term deposits of other banks. Banks have the freedom to determine their own penal interest rate applied to premature withdrawals of term deposits, provided they ensure that the depositors are made aware of the applicable penal rate along with the deposit rate. Also, banks may disallow premature withdrawal for deposits held by entities other than individuals and Hindu Undivided Families. However, a bank would still have to notify such depositors of its policy of disallowing premature withdrawal in advance (i.e., at the time of accepting such deposits). Also, banks may offer floating rates of interest on term deposits clearly linked to an anchor rate. In order to ensure transparency, banks should not use internal or derived rates



while offering floating rate deposit products but only market-based Rupee benchmark rates, which are directly observable and transparent to the customer. The minimum term of domestic term deposits is seven days. Time deposits from NRIs denominated in foreign currency have a minimum maturity of one year and a maximum maturity of 5 years.

### **Deposit insurance**

Demand and time deposits of up to Rs.100,000 accepted by Indian banks have to be compulsorily insured with the DICGC, a wholly-owned subsidiary of the RBI. Banks are required to pay the insurance premium for the eligible amount to the DICGC on a semi-annual basis. The cost of the insurance premium cannot be passed on to the customer. Earlier, deposit insurance was not mandated under the Companies Act, 1956. However, the Companies Act, 2013 makes it compulsory.

### **Regulations relating to knowing the customer and anti-money laundering**

The RBI has issued guidelines in regards to KYC, AML, and combating financing of terrorism and obligation of banks under the Prevention of Money Laundering Act, 2002 (“**PMLA**”). In a bid to prevent money laundering activities, the Government enacted the PMLA which seeks to prevent money laundering and to provide for confiscation of property derived from, or involved in money laundering, and for incidental matters connected herewith. Section 12 of the PMLA casts certain obligations on the banks in regard to preservation and reporting of customer account information. The RBI has advised all banks to go through the provisions of the PMLA, as amended from time to time, and the rules notified thereunder and to take all steps considered necessary to ensure compliance with the requirements of Section 12 of the PMLA. Guidelines have been issued by the RBI under Section 35A of the Banking Regulation Act and Rule 7 of 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 (“**PMLA Rules**”).

In an amendment to Section 13(2) of the PLMA, banks have been advised to nominate a director on their boards as “designated director” to ensure compliance with the obligations mentioned thereunder.

All instructions and guidelines issued by the RBI on KYC norms, AML standards and obligations under the PMLA to be followed by banks are consolidated under the latest RBI Know Your Customer (KYC) Directions dated February 25, 2016.

According to the KYC guidelines, all banks are required to frame their KYC policies by incorporating the following four key elements: (i) customer acceptance policy; (ii) customer identification procedures; (iii) monitoring of transactions; and (iv) risk management. Every bank is required to develop a clear customer acceptance policy laying down explicit criteria for acceptance of customers. Banks are required to prepare a profile for each new customer based on risk categorization. Banks have been advised to apply enhanced due diligence for high-risk customers. Examples of customers requiring higher due diligence include: (a) non-resident customers; (b) high net worth individuals; (c) trusts, charities, non-governmental organizations and organizations receiving donations; (d) companies having close family shareholding or beneficial ownership; (e) firms with ‘sleeping partners’; (f) politically exposed persons (“**PEPs**”) of foreign origin, and customers who are close relatives of PEPs and accounts of which a PEP is the ultimate beneficial owner; (g) non-face-to-face customers and (h) those with dubious reputations according to public information available etc. The KYC policy approved by the board of directors of a bank should clearly spell out the customer identification procedure to be carried out at different stages (i.e., while establishing a banking relationship, carrying out a financial transaction, or when the bank has a doubt about the authenticity/veracity or the adequacy of the previously obtained customer identification data).



Customer identification means identifying the customer and verifying his/her identity by using reliable, independent source documents, data or information. Banks need to obtain sufficient information necessary to establish, to their satisfaction, the identity of each new customer, whether regular or occasional, and the purpose of the intended nature of banking relationship. Ongoing monitoring is an essential element of effective KYC procedures. Banks can effectively control and reduce their risk only if they have an understanding of the normal and reasonable activity of the customer so that they have the means of identifying transactions that fall outside the regular pattern of activity. However, the extent of monitoring will depend on the risk sensitivity of the account. Banks should pay special attention to all complex, unusually large transactions and all unusual patterns which have no apparent economic or visible lawful purpose. Banks should exercise ongoing due diligence with respect to the business relationship with every client and closely examine the transactions in order to ensure that they are consistent with their knowledge of the client, his business and risk profile and where necessary, the source of funds. The board of directors of the banks should ensure that an effective KYC program is put in place by establishing appropriate procedures and ensuring their effective implementation. Such procedures should cover proper management oversight, systems and controls, segregation of duties, training and other related matters. Responsibility should be explicitly allocated within the bank for ensuring that the bank's policies and procedures are implemented effectively. Banks should refuse to enter into a correspondent relationship with a "shell bank" (i.e., a bank which is incorporated in a country where it has no physical presence and is unaffiliated to any regulated financial group). Shell banks are not permitted to operate in India. In February 2013, the RBI has issued guidelines requiring banks to identify the beneficial owner and take all reasonable steps to verify his identity.

The KYC norms prescribed by the RBI apply to the branches and majority-owned subsidiaries located abroad, especially, in countries which do not apply, or insufficiently apply, the Financial Action Task Force Recommendations, to the extent local laws permit. When local applicable laws and regulations prohibit implementation of these guidelines, the same should be brought to the notice of the RBI. In case there is a variance in KYC and AML standards prescribed by the RBI and the host country regulators, branches/overseas subsidiaries of banks are required to adopt the more stringent regulation of the two.

In terms of the PMLA Rules, banks are required to report information relating to cash and suspicious transactions and all transactions involving receipts by non-profit organizations of value more than Rs.1 million or its equivalent in foreign currency to the Director, Financial Intelligence Unit-India in respect of the following transactions: (i) all cash transactions of the value of more than Rs.1 million or its equivalent in foreign currency; (ii) all series of cash transactions integrally connected to each other which have been valued below Rs.1 million or its equivalent in foreign currency where such series of transactions have taken place within a month and the aggregate value of such transactions exceeds Rs.1 million; (iii) all transactions involving receipts by non-profit organizations of value more than Rs.1 million or its equivalent in foreign currency; (iv) all cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine notes and where any forgery of a valuable security or a document has taken place facilitating the transaction; and (v) all other suspicious transactions, whether or not made in cash, mentioned in the PMLA Rules. Banks are required to maintain the following information in respect of such transactions: (i) the nature of the transactions; (ii) the amount of the transaction and the currency in which it was denominated; (iii) the date on which the transaction was conducted; and (iv) the parties to the transaction. Banks should take appropriate steps to evolve a system for proper maintenance and preservation of account information in a manner that allows data to be retrieved easily and quickly whenever required or when requested by the competent authorities. Further, banks should maintain for at least ten years from the date of transaction between the bank and the client, all necessary records of transactions, both domestic or international, which will permit reconstruction of individual transactions (including the amounts and types of currency involved if any) so as to provide, if necessary, evidence for prosecution of persons involved in criminal activity. Banks should ensure that records pertaining to the

identification of the customer and his address (e.g., copies of documents like passports, identity cards, driving licenses, PAN card, utility bills etc.) obtained while opening the account and during the course of business relationship, are properly preserved for at least ten years after the business relationship is ended. Such records should be made available to the competent authorities upon request.

The RBI simplified the KYC procedure for opening accounts for those persons who intend to keep balances not exceeding Rs.50,000 in all their accounts taken together, and where the total credit in all the accounts taken together, where the aggregate of all withdrawals and transfer in a month does not exceed Rs.10,000 and the total credit in all the accounts taken together is not expected to exceed Rs.100,000 in a year, in order to ensure that the implementation of the KYC guidelines does not result in the denial of banking services to those who are financially or socially disadvantaged. Further, in January 2013, in order to ease the burden on the prospective customers in complying with KYC requirements for doing money transfer activities under the Money Transfer Service Scheme, the RBI has decided that if the address on the document submitted for identity proof by the prospective customer is the same as that declared by him/her, the document may be accepted as a valid proof of both identity and address. However, if the address indicated on the document submitted for identity proof differs from the current address declared by the customer, a separate proof of address should be obtained.

The RBI direction on the 'Know Your Customer' procedure was amended on December 16, 2016. Pursuant to the amendment, two major changes that have been notified, include: (i) allowing One Time Pin (OTP) based e-KYC subject to certain restrictions; and (ii) all banks are required to invariably upload the KYC data pertaining to all new individual accounts opened on or after January 1, 2017, with the central KYC Records Registry.

The Unlawful Activities (Prevention) Act, 1967 ("UAPA") has been amended by the Unlawful Activities (Prevention) Amendment Act, 2008. The Government has issued an Order dated August 27, 2009 (the "Order") detailing the procedure for implementation of Section 51A of UAPA relating to the prevention of, and coping with terrorist activities. Under Section 51A, the Government is empowered to freeze, seize or attach funds and other financial assets or economic resources held by, on behalf of or at the direction of the individuals or entities listed in the schedule to the Order, or any other person engaged in or suspected of being engaged in terrorism and prohibit any individual or entity from making any funds, financial assets or economic resources or related services available for the benefit of the individuals or entities listed in the schedule to the Order or any other person engaged in or suspected of being engaged in terrorism. Banks are required to strictly follow the procedure laid down in the Order (and ensure meticulous compliance to the Order issued by the Government).

The Unlawful Activities (Prevention) Amendment Act, 2012 has amends the UAPA to make it more effective in preventing unlawful activities, and in meeting commitments made at the Financial Action Task Force (an intergovernmental organization to combat money laundering and terrorism financing).

In July 2017, the RBI issued the Master Circular on the "Detection and Impounding of Counterfeit Notes", as amended from time to time, consolidating its instructions to date on the detection and curbing of counterfeit currency notes in the Indian economy. Major highlights of this circular are:

1. Counterfeit Notes can be impounded by (i) all Banks (ii) All Treasuries and Sub-Treasuries, and (iii) Issue Offices of the Reserve Bank of India
2. Bank notes tendered over the counter/received directly at the back office / currency chest through bulk tenders should be examined for authenticity through machines. No credit to a customer's account is to be given for counterfeit notes, if any, detected in the tender received over the counter or at the back-office / currency chest. Failure of the banks to impound counterfeit notes detected at their end will be construed as their willful involvement in circulating counterfeit notes and a penalty will be imposed.

3. The banks should re-align their cash management in such a way as to ensure that cash receipts in denominations of Rs.100 and above are not put machine-back into circulation without the notes being processed for authenticity. The said instructions shall be applicable to all bank branches, irrespective of the volume of daily cash receipts.

### **Regulations on asset-liability management**

The RBI has issued guidelines on ALM systems. These guidelines cover, among others, interest rate risk and liquidity risk measurement or reporting framework and prudential limits. As a measure of liquidity management, banks are required to monitor their cumulative mismatches across all time buckets in their statement of structural liquidity in the format prescribed by the RBI by establishing internal prudential limits with the approval of their respective board of directors or management committees. The ALCO consisting of a bank's senior management, including the chief executive officer, is to be responsible for ensuring adherence to the limits set by the board of directors as well as for deciding the business strategy of the bank (on the assets and liabilities sides) in line with the bank's budget and decided risk management objectives.

The scope of ALM functions consists of the following: (i) liquidity risk management; (ii) management of market risks; (iii) trading risk management; (iv) funding and capital planning; and (v) profit planning and growth projection. The RBI's regulations for asset liability management require banks to draw up asset-liability gap statements separately for Rupees as well as for four major foreign currencies. These gap statements are prepared by scheduling all assets and liabilities according to the stated and anticipated re-pricing date, or maturity date and behavior studies that may be conducted by banks. These statements have to be submitted to the RBI on a monthly basis. The RBI has advised banks to actively monitor the difference in the amount of assets and liabilities maturing or being re-priced in a particular period and place internal prudential limits on the gaps in each time period, as a risk control mechanism.

In October 2007, the RBI issued amendments to guidelines on asset-management to improve management of liquidity by banks and to provide a stimulus for development of the term-money market. Banks have also been advised to undertake dynamic liquidity management and are required to prepare the structural liquidity statement on a daily basis. Further, since April 1, 2008, banks are required to report their liquidity gap statements on a fortnightly basis.

In November 2010, the RBI issued guidelines on the introduction of duration gap analysis for interest rate risk management. The guidelines are aimed at providing an indication of the interest rate risk to which the bank is exposed. The report on interest rate sensitivity according to duration gap analysis is required to be submitted on a quarterly basis with effect from June 30, 2011 and on a monthly basis with effect from April 30, 2012.

Under RBI guidelines on liquidity risk management by banks, dated November 7, 2012, banks are required to manage their short term mismatches such that the net cumulative negative mismatches in the domestic and overseas structural liquidity statement during the time buckets of next day, 2 to 7 days, 8 to 14 days and 15 to 28 days buckets should not exceed 5.00%, 10.00%, 15.00% and 20.00%, respectively, of the cumulative cash outflows in the respective time buckets. The statement of structural liquidity may, however, be reported to the RBI once a month, on the third Wednesday of every month. In respect of other time periods, up to one year, the RBI has directed banks to lay down internal norms in respect of negative liquidity gaps. In April 2006, the RBI issued draft guidelines on improvements to asset liability management frameworks for banks.

On May 2, 2012, the RBI published its final guidelines on Basel III capital regulations. Apart from revising the structure and increasing the frequency of reporting liquidity gap statements, the guidelines also prescribe benchmarks for certain critical liquidity ratios, which banks could follow based on their liquidity risk management capabilities and experience. The RBI has also prescribed a liquidity coverage ratio requiring sufficient liquid assets to cover cash outflow for a minimum of 30 days and a net stable funding ratio requiring stable funding to exceed the amount of stable funding

required over one year of extended stress. The RBI has proposed the inclusion of excess CRR over the minimum requirement and the SLR holding of banks in the computation of their liquid assets. The liquidity coverage ratio would be applicable from January 1, 2015 and the net stable funding ratio from January 1, 2018.

In June 2014, the RBI released guidelines on the “Basel III Framework on Liquidity Standards—Liquidity Coverage Ratio, Liquidity Risk Monitoring Tools and Liquidity Coverage Ratio Disclosure Standards”, as amended from time to time. According to the guidelines, banks have to maintain a minimum liquidity coverage ratio which is a ratio of the stock of high quality liquid assets and total net cash out flows over the next 30 calendar days. It is designed to ensure that a bank maintains an adequate level of unencumbered high quality liquid assets to meet any acute liquidity requirements over a period of 1 month. The RBI has also defined the categories of assets qualifying as high quality liquid assets, effective on banks with effect from January 1, 2015, January 1, 2018 and January 1, 2019, respectively. Until then, banks are required to comply with the Basel III guidelines on a “best efforts” basis. In November 2014, the RBI laid down guidelines permitting banks to avail themselves of liquidity facilities against government securities under a special facility called the “facility to avail liquidity for liquidity coverage ratios”. These guidelines were further amended, the latest the being the amendment in August 2017.

### **Regulations governing interbank liabilities**

The RBI issued guidelines regarding prudential limits for interbank liabilities. Interbank liabilities of a bank cannot exceed 200.00% of its net worth as of the last day of the previous fiscal year. Individual banks have been permitted, with the approval of their boards of directors, to fix a lower limit for their inter-bank liabilities, keeping in view their business model. However banks whose capital-to-risk assets ratio is at least 25.00% more than the minimum capital-to-risk assets ratio (currently 9.00%), i.e., 11.25%, as of the last day of the previous fiscal year are allowed a higher limit with respect to inter-bank liability of up to 300.00% of their net worth. It may be noted that the limits prescribed above would include only fund based inter-bank liabilities within India (including inter-bank liabilities in foreign currency to banks operating within India) and inter-bank liabilities outside India are excluded. The guidelines issued by the RBI also stipulate that existing limits on call-money borrowing shall form a sub-limit of the above-mentioned limit.

### **Foreign currency dealership**

Pursuant to the FEMA, the RBI may grant license to banks as an authorized dealer in foreign currency. The RBI has granted the Bank a full-fledged authorized dealers’ license to deal in foreign exchange through its designated branches. As an authorized dealer, a bank can: (i) engage in foreign exchange transactions in all currencies; (ii) open and maintain foreign currency accounts abroad; (iii) raise foreign currency and Rupee denominated deposits from NRIs; (iv) grant foreign currency loans to on-shore and off-shore corporations; (v) open documentary credits; (vi) grant import and export loans; (vii) handle collection of bills, funds transfer services; (viii) issue guarantees; and (x) enter into derivative transactions and risk management activities that are incidental to its normal functions authorized under its organizational documents.

Further, the Bank has been permitted to hedge foreign currency loan exposures of Indian corporates in the form of interest rate swaps, currency swaps and forward rate agreements, subject to certain conditions. Moreover, in April 2007, the RBI published comprehensive guidelines on derivatives. The prudential guidelines require any amount remaining unpaid for a period of 90 days with respect to derivative transactions to be classified as NPAs.

In August 2008, the RBI issued guidelines permitting banks in the authorized dealer category to become trading or clearing members of the currency derivatives segment to be set up by stock exchanges recognized by the SEBI, subject to their fulfilling the requirements of (i) a minimum net worth of Rs.5.0 billion, (ii) a minimum capital adequacy ratio of 10.00%, (iii) a net NPA ratio not exceeding 3.00% and (iv) a history of net profit for the previous three years.

Foreign exchange operations of banks are subjected to guidelines issued by the RBI under the FEMA and directions issued by the RBI or the Government from time to time, foreign trade policy in force, and guidelines issued by various regulatory and supervisory bodies in regards to guarantees, collection, reimbursement, etc., provisions of the Income Tax Act, 1961 wherever applicable, and any other applicable statutes/guidelines etc. As an authorized dealer, the Bank is required to enroll as a member of the Foreign Exchange Dealers Association of India, which prescribes the rules relating to foreign exchange businesses in India.

Authorized dealers are required to determine their limits on open positions and maturity gaps in accordance with the guidelines issued by the RBI and these limits are approved by the RBI. Further, the authorized dealers are permitted to undertake derivatives transactions to hedge foreign currency exposure of Indian corporates in the form of interest rate swaps, options, currency swaps and forward rate agreements, subject to the guidelines prescribed by the RBI. Authorized dealers are required to determine their limits on open positions and maturity gaps in accordance with the RBI's guidelines and with the approval of the RBI.

In July 2010, the RBI permitted persons residing in India to enter into currency futures on stock exchanges.

### **Statutes governing foreign exchange and cross-border business transactions**

The foreign exchange and cross border transactions undertaken by banks are subject to the provisions of the FEMA and the rules and regulations made thereunder, from time to time. The Bank monitors transactions of customers based on pre-defined rules using a risk-based approach. The transaction monitoring system envisages identification of unusual transactions, undertaking due diligence on such transactions and, if confirmed as suspicious, reporting to the financial intelligence unit of the respective jurisdiction. The Bank's transaction monitoring system is periodically reviewed and is being supplemented with appropriate anti-money laundering software technology solutions.

### **Restriction on foreign ownership of public sector banks**

Under the current policy on foreign direct investment ("FDI"), specified in the Consolidated FDI Policy effective from August 28, 2017 and the RBI Master Circular on Foreign Investment in India dated July 1, 2014 and July 1, 2015, the non-resident shareholding in the Bank and its associate banks cannot exceed 20.00%. In fact, the FDI Policy clearly states that "This ceiling (20%) is also applicable to the State Bank of India and its associate banks.

Entry is permitted with the prior approval of the Government. For public sector banks, the RBI monitors the ceilings on investments by Foreign Institutional Investors ("FII")/NRIs/Persons of Indian Origin ("PIO") on a daily basis. For effective monitoring, the RBI has fixed cut-off points lower than the actual ceilings, which is 18.00% for public sector banks. Once the aggregate net purchase of equity shares reaches the cut off points, further acquisition of equity shares by FIIs/NRIs/PIOs requires approval of the RBI. In addition, the provisions of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 apply and must be complied with.

### **Prohibited business**

Section 6(1) of the Banking Regulation Act specifies the business activities in which a bank may engage. Pursuant to Section 6(2) of the Banking Regulation Act, banks are prohibited from engaging in business activities other than the activities specified in Section 6(1) of the Banking Regulation Act. In particular, banks are not permitted to offer portfolio management services or other schemes to their customers, except with the prior approval of the RBI and subject to the guidelines prescribed by the RBI and the SEBI in that regard.



## **Reserve fund**

Pursuant to Section 17 of the Banking Regulation Act and guidelines prescribed by the RBI, every bank incorporated in India is required to create a reserve fund to which it must transfer not less than 25.00% out of the balance of profit of each year as disclosed in the profit and loss account prepared under Section 29 of the Banking Regulation Act each year, before declaring any dividends. If there is an appropriation from this account, the bank is required to report the same to the RBI within 21 days of such appropriation, explaining the circumstances leading to such appropriation. The Government may, on the recommendation of the RBI and having regard to the adequacy of the paid-up capital and reserves of a bank in relation to its deposit liabilities, exempt a bank from the requirements relating to the reserve fund.

## **Regulations pertaining to declaration of dividends by banks**

Pursuant to Section 15 of the Banking Regulation Act, a bank can pay dividends on its shares only after all of its capitalized expenses (including preliminary expenses, organization expenses, share-selling commission, brokerage, amounts of losses incurred and any other item of expenditure not represented by tangible assets) have been completely written off. The Government may exempt banks from this provision by issuing a notification on the recommendation of the RBI.

The RBI has issued guidelines which are required to be followed by all banks before declaring dividends. Only those banks that comply with the following minimum prudential requirements are eligible to declare dividends: (i) have a CRAR of at least 9.00% for the preceding two years and the accounting year for which it proposes to declare a dividend and net NPAs of less than 7.00%, or a CRAR of at least 9.00% for the accounting year for which it proposes to declare dividend and net NPAs of less than 5.00%; (ii) comply with Sections 15 and 17 of the Banking Regulation Act; (iii) comply with the prevailing regulations and guidelines issued by the RBI, including but not limited to rules regarding the creation of adequate provisions for impairment of assets and staff retirement benefits and the transfer of profits to statutory reserves; (iv) the proposed dividend should be payable out of the current year's profit; and (v) the RBI should not have placed any explicit restrictions on the bank for declaration of dividends. If a bank does not meet the aforementioned eligibility criteria, no special dispensation shall be available from the RBI.

Banks that are eligible to declare dividends can do so subject to the following requirements: (i) the dividend pay-out ratio does not exceed 40.00% (the maximum permissible dividend payout ratio would vary from bank to bank, depending on the capital adequacy ratio in each of the last three years and the bank's net nonperforming asset ratio); (ii) the proposed dividend is payable from the current year's profits; (iii) in case the profit for the relevant period includes any extra-ordinary profits/income, the payout ratio shall be computed after excluding such extra-ordinary items for reckoning compliance with the prudential payout ratio; and (iv) the financial statements pertaining to the financial year for which the bank is declaring a dividend should be free of any qualifications by the statutory auditors, which have an adverse bearing on the profit during that year. In case of any qualification to that effect, the net profit should be suitably adjusted while computing the dividend payment ratio.

Banks may also declare and pay interim dividends out of the relevant accounting period's profits without prior approval of the RBI if they satisfy the minimum criteria prescribed and if the cumulative interim dividends are within the prudential cap on dividend payout ratio computed for the relevant accounting period. However, declaration and payment of interim dividends beyond this ceiling requires the RBI's prior approval.

The RBI Master Circular on 'Basel III Capital Regulations' dated July 1, 2015 requires banks to maintain a capital conservation buffer of 2.50% comprised of Common Equity Tier I capital above the regulatory minimum capital requirement of 9.00%. Banks are restricted from distributing capital (i.e., pay dividends or bonuses in any form) in case capital levels fall within this range.



The RBI has revised the 'Basel III Capital Regulations' through a Matter Circular dated March 1, 2016 to align, to some extent, the current regulations on the treatment of balance sheet items, for the purpose of regulatory capital, with the Basel Committee on Banking Supervision (BCBS) guidelines.

Additionally, the Bank should comply with the requirements of the SBI Act prior to declaring any dividend. In terms of the SBI Act, a dividend can only be declared after making provision for, *inter alia*, bad and doubtful debts, depreciation in assets, equalization of dividends, and contribution to staff and superannuation funds. The rate of dividend shall be determined by the Central Board.

### **Regulatory reporting and examination procedures**

The RBI is empowered under Section 27(2) of the Banking Regulation Act to inspect a bank. In 1995, the RBI introduced a system of off-site monitoring and surveillance, with the primary objective of monitoring the financial condition of banks in-between on-site examinations. The RBI monitors prudential parameters at quarterly intervals. To this end and to enable off-site monitoring and surveillance by the RBI, banks are required to report to the RBI on aspects such as: (i) assets, liabilities and off-balance sheet exposures; (ii) risk-weighting of these exposures, the capital base and the capital adequacy ratio; (iii) unaudited operating results for each quarter; (iv) asset quality; (v) concentration of exposures; (vi) connected and related lending and the profile of ownership, control and management; (vii) ownership, control and management; (viii) structural liquidity and interest rate sensitivity; (ix) subsidiaries, associates and joint ventures; (x) consolidated accounts and related financial information; (xi) information on risk based supervision; (xii) analysis of balance sheet; and (xiii) other prudential parameters. The time limit for filing the monthly and quarterly off-site returns is 15 days and 21 days, respectively, for all categories of banks.

The RBI also conducts periodic on-site inspections on matters relating to a 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 circle offices and other selected branches with respect to their general operations and foreign exchange related transactions.

### **Appointment and remuneration of the chairman and managing director and other directors**

The Chairman and the Managing Directors of the Bank are appointed by the Government, in consultation with the RBI. Their salaries shall be determined by the Government. While a minimum of nine other directors (including a maximum of four Managing Directors) are nominated or appointed by the Government, one director shall be nominated by the Government on the recommendation of the RBI. Depending on their shareholding, a maximum of four directors can be appointed by shareholders.

The RBI may also appoint one or more additional directors in the interest of banking policy or in the public interest or in the interests of the Bank or its depositors. Such additional directors shall not be taken into account for the purpose of calculating any proportion of the total number of directors of the Bank. The directors shall be paid such fees and allowances for attending the meetings of the Central Board or of any of its committees and for attending to any other work of the Bank as may be prescribed.

The RBI has issued guidelines on the compensation of whole-time directors, chief executive officers, risk takers and control function staff of private sector and foreign banks operating in India. The guidelines include principles for effective governance of compensation, alignment of compensation with risk taking and effective supervisory oversight and engagement by stakeholders.

On June 1, 2015, the RBI issued guidelines on compensation of non-executive directors of private sector banks. Pursuant to the guidelines, banks are required to formulate and adopt a comprehensive compensation policy for the non-executive directors (other than the part-time

non-executive chairman), ensuring compliance of the same with Companies Act, 2013. Moreover, according to the aforesaid guidelines, banks in the private sector would be required to obtain prior approval of RBI for granting remuneration to the part-time non-executive Chairman under Section 10B(1A)(i) and 35B of the Banking Regulation Act, 1949.

### **Criteria for elected directors on boards of the associate banks**

In November 2007, the RBI issued guidelines laying down the 'fit and proper' criteria for elected directors on the boards of the Associate Banks. The salient features of these guidelines are set out below:

- the board of directors of the Associate Banks should constitute a nomination committee;
- the nomination committee should undertake due diligence to determine the fit and proper status of existing elected directors and of persons to be elected as directors;
- before any person is appointed as director, the nomination committee must meet and decide upon his candidature based, *inter alia*, on educational qualification, experience and field of expertise, track record and integrity;
- the board of directors should ensure that the elected directors sign the deed of covenants laid down; and
- elected directors must, on a yearly basis, provide a declaration that the information submitted by them has not undergone any change, and in case there is any significant change in such information, the nomination committee should re-examine the fit and proper status of such director.

### **Penalties**

The RBI may impose penalties on banks and their employees in cases of infringement of regulations under the Banking Regulation Act. The penalty may be a fixed amount or may be a variable based on the amount involved in any contravention of the regulations. The penalty may also include imprisonment. Banks are required to disclose any such penalty in their annual report.

In April 2008, the RBI issued guidelines for banks engaging recovery agents. Under these guidelines, the RBI may ban banks from engaging recovery agents in a particular area, either jurisdictional or functional, for a limited period, in case of complaints received by the regulator regarding violation of the above guidelines and adoption of abusive practices followed by banks' recovery agents. In case of persistent breach of above guidelines, the RBI may consider extending the period of ban or the area of ban. Similar supervisory action could be implemented when the high courts or the Supreme Court pass strictures, or language of a condemning nature, or impose penalties against any bank or its directors, officers or agents with regard to policy, practice and procedure related to the recovery process.

### **Assets to be maintained in India**

Pursuant to Section 25 of the Banking Regulation Act, every bank is required to ensure that its assets in India (including import-export bills drawn in India and RBI-approved securities, even if the bills and the securities are held outside India) are not less than 75.00% of its demand and time liabilities in India.

## **Restriction on creation of floating charge**

Section 14A of the Banking Regulation Act prohibits all banks from creating a floating charge on the undertaking or any property of the bank or any part thereof unless the creation of such floating charge is certified in writing by the RBI as not being detrimental to the interests of the depositors of such bank. Any floating charge created without obtaining the RBI's certification shall be invalid. In cases where the RBI refuses to grant certification, a bank may, within 90 days of such refusal, appeal to the Government, but the decisions of the Government in cases of appeal are final.

## **Maintenance of records**

Banks are required to maintain their books, records and registers according to the Banking Regulation Act and the rules framed thereunder (i.e., the Banking Companies (Period of Preservation of Records) Rules, 1985). The rules specify that banks shall preserve in good order, certain books, accounts and documents (such as check book registers) relating to a period of not less than five years immediately preceding the current calendar year; and certain other books, accounts and documents (such as stock and share registers) relating to a period of not less than eight years immediately preceding the current calendar year.

Further, the RBI has issued guidelines on the record maintenance policy of banks, which provides, among other things, that prior approval of the RBI is required for offshore maintenance of its records.

The KYC guidelines framed by the RBI dated July 1, 2014 also provide for certain records to be updated every five years. According to the PMLA, the records of a transaction are to be preserved for five years (changed from 10 years to five years in February 2013) from the date of the transaction between a customer and a bank. The Banking Companies (Period of Preservation of Records) Rules, 1985 requires a bank's records of books, accounts and other documents relating to stock and share registers to be maintained for a period of three years.

## **Secrecy obligations**

The Bank's obligations relating to maintaining secrecy arise out of Section 44 of the SBI Act and common law principles governing the Bank's relationship with its customers. The Bank cannot disclose any information to third parties except under clearly defined circumstances. The following are the exceptions to this general rule:

- where disclosure is required to be made under any law;
- where there is an obligation to disclose to the public;
- where the Bank needs to disclose information in its interests; and
- where disclosure is made with the express or implied consent of the customer.

The Bank is required to comply with the above in furnishing any information to any parties. The Bank is also required to disclose information if ordered to do so by a court. The RBI may, in the public interest, publish the information obtained from the Bank. Under the provisions of the Banker's Books Evidence Act, a copy of any entry in a bankers' book, such as ledgers, day books, cash books and account books, certified by an officer of the Bank may be treated as *prima facie* evidence of a corresponding transaction in any legal proceedings. The Right to Information Act, 2005 gives citizens the right to secure access to information under the control of public authorities in order to promote transparency and accountability in the working of every public authority. Banks, such as the Bank, which are 'Public Authorities' within the meaning of the Right to Information Act, 2005 are required to provide any information called for by any citizen, except information pertaining to commercial confidence, trade secrets or intellectual property, the disclosure of which would harm the competitive

position of a third party, or personal information, the disclosure of which has no relationship to any public activity or interest, or which would cause unwarranted invasion of the privacy of the individual, and where, on certain other grounds, similar information of which would cause a breach of privilege of Parliament or the state legislature or which would prejudicially affect the sovereignty and integrity of India, its security or relationship with foreign states or which would lead to an incitement to commit an offence.

### **Regulations governing offshore banking units**

The Government introduced the Special Economic Zone (“SEZ”) scheme with a view to providing an internationally-competitive and hassle-free environment for export production. According to the Government’s policy, SEZs will be specially-delineated duty-free enclaves and deemed to be foreign territories for the purposes of trade operations and duties and tariffs so as to usher in export-led growth of the economy. Banks operating in India (e.g., public sector, private sector and foreign banks authorized to deal in foreign exchange) are eligible to set up offshore banking units (“OBUs”) within a SEZ. An eligible bank can set up one OBU in one SEZ. The banks can therefore set up more than one OBU, but not in the same SEZ. Banks are required to obtain prior permission from the RBI for opening an OBU in a SEZ under Section 23 (1) (a) of the Banking Regulation Act. Since OBUs would be branches of Indian banks, no separate assigned capital for such branches would be required. However, with a view to enabling them to start their operations, the parent bank would be required to provide a minimum of U.S.\$10 million to its OBU.

OBUs are exempt from CRR requirements. Banks are required to maintain SLR under Section 24 (1) of the Banking Regulation Act in respect of their OBU branches. However, in case of necessity, request from individual banks for exemption will be considered for a specified period under Section 53 of the Banking Regulation Act. OBUs would be permitted to engage in the form of business mentioned in Section 6(1) of the Banking Regulation Act, subject to the conditions of the license granted to the OBU by the RBI. The RBI may exempt a bank’s offshore banking unit from SLR requirements on specific application by the bank. An offshore banking unit may not enter into any transactions in foreign exchange with residents in India, unless such a person is eligible to enter into or undertake such transactions under the FEMA. All prudential norms applicable to overseas branches of Indian banks would apply to the OBUs. The OBUs would be required to follow the international best-practice of 90-days payment delinquency norm for income recognition, asset classification and provisioning. The OBUs may follow the credit risk management policy and exposure limits set out by their parent banks and duly approved by their board of directors. The OBUs would be required to adopt liquidity and interest rate risk management policies prescribed by the RBI in respect of overseas branches of Indian banks as well as within the overall risk management and ALM framework of the bank subject to monitoring by the Central Board at prescribed intervals. A bank’s board of directors is required to set comprehensive overnight limits for each currency for these branches, which would be separate from the open position limit of the parent bank. The OBUs would operate and maintain balance sheets only in foreign currency and would not be allowed to deal in Indian Rupees except for having a special Rupee account out of convertible funds to meet their day to day expenses. These branches would be prohibited to participate in domestic call, notice, term, etc. money market and payment systems. Operations of the OBUs in Rupees would be minimal in nature, and any such operations in the domestic area would be through the authorized dealers (distinct from OBUs) which would be subject to the current exchange control regulations in force. The loans and advances of OBUs would not be reckoned as net bank credit for computing priority sector lending obligations. An OBU may lend to units and SEZ developers in other SEZs. A corporate in the domestic tariff area can borrow from an OBU only under the scheme of ECBs, subject to FEMA regulations. Banks are not permitted to borrow from their OBUs. The exposures of an OBU in the domestic tariff area cannot exceed 25.00% of its total liabilities as at the close of business of the previous working day, at any point in time. OBUs are allowed to invest their surplus funds outside India under the investment policy framed for this purpose by the board of directors of the bank concerned.

OBU must follow the KYC norms and must be able to establish the identity and address of the participants in a transaction, the legal capacity of the participants and the identity of the beneficial owner of the funds.

### **Regulations on over-the-counter derivatives**

Over-the-counter derivatives in India obtain their legal validity from an amendment which was made to the RBI Act which entrusts the RBI with the power to regulate derivative transactions. Permitted products are Rupee and foreign exchange forwards, interest rate and foreign currency/Rupee swaps, forward rate agreements, various options, being interest rate caps and collars, foreign currency Rupee options-with or without Rupee, cross-currency options-with or without Rupee, and various commodity price hedging instruments in respect of aluminium, zinc, copper, lead, nickel, aviation turbine fuel, crude oil and freight risk. The market is distinguished between market makers (sellers of product) and users (who wish to hedge a risk). Banks and primary dealers are the permitted market makers. Users can be either market makers or business entities with identified underlying risk exposure being: (i) persons resident in India such as corporates, importers/exporters, small and medium enterprises, mutual funds, insurance companies, individuals; and (ii) persons resident outside India such as FIIs (and each of their sub-accounts), foreign capital funds for the purposes of hedging their FDI investments and NRIs. FIIs and sub accounts include a variety of foreign entities, including but not limited to foreign trusts, foreign corporate, foreign individuals, and sovereign wealth funds. The types of payment flows which can be hedged are: (i) direct/indirect risk to foreign exchange exposures or interest rate fluctuations; (ii) investments outside India; (iii) custom duty payable on imports; (iv) permitted foreign exchange borrowings; (v) foreign currency loans, bonds, American depository receipts and global depository receipts; (vi) long term exposures; (vii) balances held in foreign currency or Rupee by persons resident in India or persons resident outside India; (viii) foreign exchange borrowings such as loans to subsidiaries or joint ventures abroad, loans amounts raised in India for execution of projects outside India, import credit facilities for goods and foreign currency lending by an Indian resident to its customer overseas; (ix) FDI, currency risk on dividends; and (x) dividends due to NRIs.

Authorized dealer category I banks may use the following instruments to hedge their asset-liability portfolio: (i) interest rate swaps; (ii) currency swaps; and (iii) forward rate agreements. Authorized dealer category I banks may also purchase call or put options to hedge their cross currency proprietary trading positions. Authorized dealer category I banks, authorized by the RBI to operate the “gold deposit scheme,” may use exchange-traded and over-the-counter hedging products available overseas to manage the price risk. Authorized dealer category I banks are permitted to become trading and clearing members of the currency futures market of recognized stock exchanges, subject to the prescribed conditions.

RBI issued a direction on June 1, 2017 which introduced a Legal Entity Identifier for over-the-counter derivatives markets. Pursuant to this direction, it has been decided to implement the LEI system for all participants in the Over-the-Counter (OTC) markets for Rupee Interest Rate derivatives, foreign currency derivatives and credit derivatives in India, in a phased manner. Accordingly, all current and future participants would be required to obtain the unique LEI code. Entities without an LEI code would not be eligible to participate in the OTC derivatives markets, after the date specified in the schedule to the Direction.

### **Introduction of credit default swaps for corporate bonds**

In November 2011, the RBI issued prudential guidelines for single-name credit default swaps (“CDS”) on corporate bonds. The guidelines have introduced Rupee-denominated CDS on underlying rated corporate bonds issued by Indian resident legal entities. CDS can also be written on unlisted but rated bonds of infrastructure companies. Unlisted and/or unrated bonds issued by the SUVs set up by infrastructure companies are also eligible as reference obligations, subject to such SPVs making disclosures on their structure, usage, purpose and performance in their financial statements. In the case of banks, the exposure on account of such CDS should be within the limit of 10.00% of the

investment portfolio prescribed for unlisted/unrated bonds according to extant guidelines issued by the RBI. Both market makers and user participants (with the exception of FIIs) must be Indian resident entities with at least one RBI-regulated entity on one side of the trade. Market makers such as commercial banks, NBFCs, primary dealers, insurance companies and mutual funds can buy and sell protection, subject to certain regulatory requirements. The users or protection buyers include market makers, listed companies, housing finance companies, FIIs, provident funds and any other institution specifically permitted by the RBI.

### **Regulations Governing International Businesses**

The Bank's international business operations are governed by regulations in the countries in which the Bank has a presence. The Bank is required to obtain approval of the RBI to set up overseas subsidiaries, offshore branches and representative offices abroad. Furthermore, approval from the foreign regulatory authority is also required prior to undertaking such banking operations.

### **REGULATIONS AND GUIDELINES OF SEBI**

The SEBI was established to protect the interests of public investors in securities and to promote the development of, and to regulate, the Indian securities market. The Bank is subject to various rules and regulations prescribed by the SEBI for its equity and debt capital issuances, banker to the issue, merchant banking, debenture trustee, custodial and depository participant activities. These regulations provide for registration with the SEBI for each of these activities, functions and responsibilities. The Bank has adhered to the regulations and guidelines issued by the SEBI for various activities.

### **Special status of banks in India**

The special status of banks is recognized under various statutes including but not limited to the RDDBFI Act, and the Securitization Act. As a bank, under various statutes, the Bank is entitled to certain benefits, including but not limited to the following:

- (i) The RDDBFI Act provides for establishment of DRTs for expeditious adjudication and recovery of debts due to any bank or public financial institution or to a consortium of banks and public financial institutions. Under this Act, the procedures for recoveries of debt have been simplified and time frames have been fixed for speedy disposal of cases. Upon establishment of the DRT, no court or other authority can exercise jurisdiction in relation to matters covered by this Act, except the Supreme Court of India and the High Court exercising writ jurisdiction under the Constitution of India in certain circumstances.
- (ii) The SARFAESI Act focuses on improving the rights of banks and financial institutions and other specified secured creditors as well as asset reconstruction companies by providing that such secured creditors can take over management control of a borrower company upon default and/or sell assets without the intervention of courts, in accordance with the provisions of the SARFAESI Act subject to limitations as set forth in Section 31 of the SARFAESI Act.

### **Credit information bureaus**

The Indian Parliament has enacted the Credit Information Companies (Regulation) Act, 2005, pursuant to which all credit institutions, including banks, have to become members of a credit information bureau and furnish to it such information as may be required of the credit institution by the credit information bureau about any persons who enjoy a credit relationship with it. Other credit institutions, credit information bureaus, and such other persons as the RBI specifies may access such disclosed credit information.



## **Regulations governing insurance companies**

Subsidiaries offering life insurance and non-life insurance are subject to the provisions of the Insurance Act, 1938 and the various regulations prescribed by the IRDAI. These regulations govern, among other things, registration as an insurance company, investment, licensing of insurance agents, advertising, sale and distribution of insurance products and services and protection of policyholders' interests.

The IRDAI periodically issues guidelines pertaining to life insurance business and had issued guidelines introducing a cap on charges levied on customers investing in equity linked life insurance policies and unit-linked insurance products. The IRDAI had also issued guidelines on non-linked life insurance products which include limits on the commission rates payable by insurance companies, introduction of minimum guaranteed surrender value and minimum death benefits.

The Indian Government has liberalized FDI in the insurance sector by permitting foreign investment up to 49% through the automatic route subject to the extant guidelines on Indian management and control to be verified by the regulators. Further, the requirement of an Indian promoter having to reduce its stake to 26.0% after completion of 10 years of operations has been removed. The IRDAI has also issued a discussion paper on "Listing of Indian Insurance Companies" which directs all insurance companies to take steps to get their shares listed after the completion of a certain number of years of operation. Based on the discussion paper, all life insurance companies shall take steps to have their shares listed upon the completion of 10 years of operation. Companies which have already exceeded 10 years of operation shall initiate steps to ensure listing of shares within a period of three years from the date of issue of directions under these guidelines.

The IRDAI has issued IRDAI (Registration of Corporate Agents) Regulations, 2015, which allows bank to have arrangements with a maximum of three insurers in any particular line of insurance business (life, general or health). Composite corporate agents may have arrangements with life, general and health insurers or combination of any two or all three of them.

## **Corporate governance**

Pursuant to its obligations under the listing agreements for its equity with the stock exchanges ("**Listing Agreement**"), the Bank is required to adhere to certain corporate governance requirements as prescribed by clause 49 of the Listing Agreement, including but not limited to, ensuring the minimum number of independent directors on its board of directors, and composition of various committees such as audit committee and remuneration committee.

## **The Banking Ombudsman Scheme**

The Banking Ombudsman Scheme, 2006 ("**Banking Ombudsman Scheme**") enables an expeditious and inexpensive forum to bank customers for resolution of complaints relating to certain services rendered by banks. The Banking Ombudsman Scheme has been introduced under Section 35 A of the Banking Regulation Act by the RBI. The Banking Ombudsman Scheme provides a forum to bank customers to seek redress of their most common complaints against banks, including those relating to credit cards, service charges, promises given by the sales agents of banks but not kept by banks, as well as, delays in delivery of bank services. Customers can complain about non-payment or any inordinate delay in payments or collection of checks towards bills or remittances by banks, as well as, non-acceptance of small denomination notes and coins or charging of commission for acceptance of small denomination notes and coins by banks.

RBI introduced amendments to the Banking Ombudsman Scheme on June 16, 2017 which came into force on July 1, 2017. Pursuant to these amendments, the scope of Banking Ombudsman, Scheme 2006 has been widened, to include, *inter alia*, deficiencies arising out of the sale of insurance/mutual fund/ other third party investment products by banks. Now a customer would also be the able to file

a complaint against a bank for its non-adherence to RBI instructions with regards to Mobile Banking/Electronic Banking services in India. Further, the banking ombudsman is now authorized to pass an Award (compensation) of a higher amount, which will be Rs.2 million as opposed to Rs.1 million in the 2006 Scheme.

The RBI releases an 'Annual Report on Banking Ombudsman Scheme' every year, the latest being the annual report dated December 9, 2016, which consolidated the grievance redressal procedures adopted and enhanced the awareness of the Banking Ombudsman Scheme.

### **Payment and Settlement Systems Act, 2007**

The Payment and Settlement Systems Act, 2007 (the "**PSS Act**") provides for the regulation and supervision of payment systems by the RBI. This Act authorizes the RBI to permit the setting up and continuance of payment and settlement systems, to set standards, to call for returns and information, to audit and inspect, to issue directions, and to impose penalties and initiate prosecution for violations of the Act.

The RBI has notified regulations under the said Act, including, but not limited to, the Board for Regulation and Supervision of Payment and Settlement Systems Regulation, 2008 and the Payment and Settlement Systems Regulations, 2008 which provide for the constitution of a board to oversee the implementation of the said Act and procedures for service providers to obtain approval for providing their payment services.

The PSS Act was further amended by the Payment and Settlement Systems (Amendment) Act, 2015 (the "**PSS Amendment Act**") which was notified on May 13, 2015 and brought into force on June 1, 2015. The PSS Amendment Act provides for (i) netting and settlement finality in the event of insolvency, liquidation or resolution of the central counterparty (a system provider who by way of novation interposes between system participants), (ii) protecting the customers' interest in the event of insolvency or bankruptcy of prepaid instruments operators/issuers; and (iii) a legal framework to deal with new developments, such as Trade Repositories and a Legal Entity Identification System as well as plugged the gaps relating to netting and protection of customers' interest in respect of "escrowed" balance of prepaid instruments issuers.

The Amendment Act also empowers the RBI to direct system providers of a payment system to ensure protection of funds collected from customers. To this end, system providers must: (i) keep deposits in a separate bank account; or (ii) maintain liquid assets of an amount equal to such percentage of the amounts collected by the system provider from its customers and remaining outstanding, as specified by the RBI.

### **The Regional Rural Banks Act, 1976**

RRBs are established under the Regional Rural Banks Act, 1976 ("**RRB Act**") by the Government at the instance of a sponsor bank. The Government may also issue notifications specifying the local limits within which a given RRB shall operate. The sponsor bank shall subscribe to the share capital of the RRB, train personnel and provide managerial and financial assistance to the RRB during the first five years of its operations. The RRB Act was amended by the Regional Rural Banks Amendment Act, 2015 which received the assent of the President on May 12, 2015.

The RRB Act stipulates the limit of the paid-up capital of an RRB and further stipulates that the shares shall always be fully paid-up shares of ten Rupees each, 50.00% of such shares shall be subscribed to by the Government, 15.00% by the concerned state government and 35.00% by the sponsor bank. If an RRB raises its capital from sources other than the Central Government, State Government or the sponsor bank, the shareholding of the Central Government and the sponsor bank shall not be less than 51%. The Central Government is empowered to consult the concerned State Government whether the level of shareholding in the RRB of such State Government can be reduced below 15%. The issued capital can be changed by the board of directors of the RRB (with the prior

approval of the Government) after consultation with NABARD, the concerned state government and the sponsor bank. The RRB Act further requires that the board of directors shall consist of the following: (i) a chairman, appointed by the sponsor bank; (ii) two directors, nominated by Government, who are not officers of Government, the concerned state government, the RBI, NABARD, the sponsor bank or any other bank; (iii) one director to be nominated by the RBI, such person being an officer of the RBI; (iv) one director to be nominated by NABARD, such person being an officer of NABARD; (v) two directors to be nominated by the sponsor bank, such person being an officer of the sponsor bank; and (vi) two directors to be nominated by the concerned state government, who are officers of the concerned state government, and (vii) such number not exceeding three directors elected by the shareholders other than the Central Government, the State Government, sponsor bank and other institutions owned or controlled by the Central Government or the State Government. Every RRB shall carry on the business of banking as defined in Section 5(b) of the Banking Regulation Act and may engage in one or more forms of business specified in Section 6(1) of the Banking Regulation Act. Every RRB shall prepare an annual report within three months from the date of closure of the accounting year or such further period, not exceeding three months, as may be permitted by the RBI. Such annual report shall be sent to all of its shareholders. Due to amalgamation, the number of RRBs has decreased to 82 as of February 2013 from 196 as of September 2005.

## **Taxation**

The Government has introduced major reforms in Indian indirect tax laws, namely the GST taking effect from July 1, 2017. Under the GST, unified structures have been introduced to expand the tax base, rationalize the input tax credit and harmonize the current multiple taxation laws in India. The GST has replaced the indirect taxes on goods and services such as central excise duty, service tax, customs duty, central sales tax, state VAT, surcharge and excise currently being collected by the central and state governments. The GAAR provisions became effective from April 1, 2017 and would apply to arrangements declared as “impermissible avoidance arrangements”, which is defined to mean an arrangement, the main purpose or one of the main purposes of which is to obtain a tax benefit and which satisfy at least one of the following tests (i) creates rights, or obligations, which are not ordinarily created between persons dealing at arm’s length; (ii) results, directly or indirectly, in misuse, or abuse, of the provisions of the Income Tax Act, 1961; (iii) lacks commercial substance or is deemed to lack commercial substance, in whole or in part; or (iv) is entered into, or carried out, by means, or in a manner, which are not ordinarily employed for *bona fide* purposes. If GAAR provisions are invoked, then the tax authorities have wide powers, including denial of tax benefit or a benefit under a tax treaty.

## **Income tax benefits**

The Bank is entitled to certain tax benefits under the Income Tax Act, 1961 including but not limited to the following: (i) the Bank’s dividend income is exempt from income tax subject to disallowance of expenses incurred to earn the income; (ii) the Bank is entitled to a tax deduction on the provisioning towards bad and doubtful debts of an amount not exceeding 7.50% of the Bank’s total business income, computed before making any deductions prescribed under Section 36(1)(viii)(a) of the Income Tax Act, 1961 and an amount not exceeding 10.00% of the aggregate average advances made by the Bank’s rural branches computed in the manner prescribed and (iii) the Bank is entitled to claim deduction under section 36(1)(viii) of the Income Tax Act, 1961 of the Income Tax Act, 1961 in respect of any special reserve created and maintained of an amount not exceeding 20% of profits eligible for business computed under the heading “Profits and Gains from Business and Profession” (before making any deduction under this clause) carried to such reserve account. An “eligible business” means the business of providing long-term finance for industrial or agricultural development, development of infrastructure facility in India or the development of housing in India. Furthermore, the Finance Bill, 2017, effective from April 1, 2017, has increased the limit for deductions from 7.5% to 8.5% of the amount of total income.

Further, subject to application for and receipt of certain approvals, the Bank is eligible to issue tax saving bonds approved in accordance with and subject to the provisions of the Income Tax Act, 1961 and zero-coupon bonds in accordance with applicable guidelines.

### ***Recent Developments***

#### *Formation of the Monetary Policy Committee*

The RBI Act has been amended by the Finance Act, 2016 to provide for a statutory and institutionalized framework for a Monetary Policy Committee. According to the government, the decision has been taken so as to ensure price stability, while keeping in mind the objective of growth. The Monetary Policy Committee would be entrusted with the task of fixing the benchmark policy rate (repo rate) required to contain inflation within the specified target level. The meetings of the Monetary Policy Committee shall be held at least four times a year and it shall publish its decisions after each such meeting.

As per the provisions of the RBI Act, out of the six members of the Monetary Policy Committee, three Members will be from the RBI and the other three Members will be appointed by the Central Government. The Members of the Monetary Policy Committee appointed by the Central Government shall hold office for a period of four years.

### **The Insolvency and Bankruptcy Code, 2016**

The Insolvency and Bankruptcy Code, 2016 (the “**Code**”) was passed by the Parliament on May 11, 2016, with a view to create a unified framework for resolving insolvency and bankruptcy in India. The Code seeks to repeal the Presidency Towns Insolvency Act, 1909 and Provincial Insolvency Act, 1920. The Code also amends 11 laws, including, *inter alia*, the Companies Act, 2013, the Recovery of Debts Due to Banks and Financial Institutions Act, 1993 and the Sick Industrial Companies (Special Provisions) Repeal Act, 2003. The Code aims to consolidate the laws relating to insolvency of companies and limited liability entities (including limited liability partnerships and other entities with limited liability), unlimited liability partnerships and individuals, presently contained in a number of legislations, into a single legislation. The Code classifies the creditors into financial creditors and operational creditors which include the financial loans for interest and loans arising from the operational nature of the debtor, respectively. According to the Code, the insolvency resolution process may be initiated by either the debtor or the creditors. Some of the new concepts introduced by this Code include, *inter alia*, the Insolvency and Bankruptcy Board of India, the Insolvency and Bankruptcy Fund and two separate tribunals, namely the National Company Law Tribunal (which shall have jurisdiction over companies and limited liability partnerships) and the Debt Recovery Tribunal (which shall have jurisdiction over individuals and partnership firms). The Code provides a 180-day timeline, which may be extended by 90 days, for dealing with insolvency resolution applications. Subsequently, the insolvency resolution plan prepared by the resolution professional has to be approved by 75.00% of the creditors and, if rejected, the adjudicating authority will order the liquidation. Additionally, the order of priority of repayment of outstanding dues from liquidated assets of the insolvent company is proposed to be changed via suitable amendments in tax laws. In a bid to boost the sentiment among lenders, even repayment of dues to unsecured creditors has been given a higher priority as against payment of taxes to the Government. It should be noted that several provisions of the SARFAESI Act have been amended by the Enforcement of Security Interest and Recovery of Debt Laws and Miscellaneous Provisions (Amendment) Act, 2016 as has the Insolvency and Bankruptcy Code, 2016 (which amends Section 13 of SARFAESI). As per this amendment, the Adjudicating Authority under the Insolvency and Bankruptcy Code, 2016 shall, by order, declare a moratorium on prohibiting, *inter alia*, any action to foreclose, recover or enforce any security interest created by the corporate debtor in respect of its property, including any action under the SARFAESI Act.

Recently, the Ministry of Corporate Affairs has notified certain sections of the Code, like the definitions, grants by the Central Government, the power of the Central Government to issue directions and provisions relating to delegations.

### **External Commercial Borrowings**

Under the RBI's latest Master Directions on External Commercial Borrowings, Trade Credit, Borrowing and Lending in Foreign Currency by Authorised Dealers and Persons other than Authorised Dealers dated January 1, 2016 (updated as of March 30, 2016), the revised ECB framework shall comprise of the following three tracks:

- Track I: Medium term foreign currency denominated ECB with Minimum Average Maturity (“MAM”) of 3/5 years;
- Track II: Long term foreign currency denominated ECB with MAM of 10 years; and
- Track III: Indian Rupee denominated ECB with MAM of 3/5 years.

Some of the key restrictions on ECBs are as follows:

- the maximum amount of ECBs which can be raised under the automatic route by companies in infrastructure and manufacturing structures, is U.S.\$750.0 million or its equivalent during a financial year;
- in view of the special funding needs of the infrastructure sector, a scheme of take-out finance has been put in place. Accordingly, take-out financing arrangements through ECBs, under the approval route, are permitted for the refinancing of Rupee loans availed from domestic banks to eligible borrowers for new infrastructure projects in the sea port, airport, roads (including bridges), and the power sector;
- Considering the specific needs of infrastructure sector, the following changes have been made to the ECB Policy under the approval route:
  - Under Track I, the all-in-cost ceiling is prescribed through a spread over the bench mark as follows — for ECB with minimum average maturity period of 3 to 5 years, 300 basis points per annum over 6 month LIBOR or applicable bench mark for the respective currency; for ECB with average maturity period of more than 5 years, 450 basis points per annum over 6 month LIBOR or applicable bench mark for respective currency;
  - Under Track-II, the maximum spread over the bench mark will be 500 basis points per annum, and the remaining conditions will be as given under Track-I;
  - Under Track-III, the all-in-cost ceiling would be in line with the market conditions; and
  - NBFCs categorised as Infrastructure Finance Companies (“IFCs”) by the RBI and complying with the norms prescribed are permitted avail of ECBs under Track I subject to the following: (i) the borrowings must have a minimum average maturity of 5 years; (ii) the borrowings must be 100% hedged; and (iii) the borrower companies must have a board approved risk management policy in place. Infrastructure companies may use the funds borrowed for any of the permissible end uses under Track I (including import or local sourcing of capital goods, new projects or modernization of existing projects, overseas investments, and refinancing existing ECBs). However, NBFC-IFCs must use such funds only for financing infrastructure.



## **The Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 (UFIA)**

The UFIA came into effect on May 26, 2015. The UFIA will be applicable to Indian residents and seeks to replace the Income Tax (IT) Act, 1961 for the taxation of foreign income. It penalises the concealment of foreign income, and provides for criminal liability for attempting to evade tax in relation to foreign income. The UFIA also imposes liability on persons who abet or induce another to willfully attempt to evade tax or to make false statements/declarations in relation to foreign income and assets.

### **Regulations relating to making loans**

The provisions of the Banking Regulation Act govern the sanction of loans by banks in India. The RBI issues directions covering the loan activities of banks. These directions and guidelines issued by the RBI are consolidated in the master circular on 'Loans and Advances-Statutory and Other Restrictions' issued by the RBI from time to time, the latest one (as of the date of this Offering Circular) dated July 1, 2015. Some of the important provisions of the Banking Regulation Act and guidelines of the RBI, which are now in effect, are as follows:

- (a) banks which commence their business operations after the issue of the circular will be allowed to revise their base rate methodology within a year from the date of commencement of their operations in India;
- (b) the banks should charge interest on loans, advances, cash credits, overdrafts, or any other financial accommodation granted, provided, renewed by them, or discount usance bills in accordance with the directives on interest rates on advances issued by the RBI annually; and
- (c) all banks which desire to review their base rate methodology after five years from the date of its finalization can do so with the permission of the RBI.

Section 21A of the Banking Regulation Act provides that the rate of interest charged by a banking company shall not be reopened by any court on the ground that the rate of interest is excessive.

Furthermore, the Reserve Bank of India (Interest Rate on Advances) Directions, 2016, as amended, applicable to all scheduled commercial banks, except regional rural banks, granting Rupee and foreign currency advances to their customers. All Rupee loans sanctioned and credit limits renewed with effect from April 1, 2016 are priced with reference to the marginal cost of the funds based lending rate (**the MCLR**), which is the internal benchmark for such purposes. The MCLR comprises the marginal cost of the funds, negative carry on account of CRR, operating costs and tenor premiums. Banks publish their MCLR in five different tenors ranging from one day to ten years every month on a pre-announced date. Banks which do not have adequate systems to carry out a review of MCLR's different maturities every month reviewed their rates once a quarter on a pre-announced date up to March 31, 2017. Existing loans granted by banks prior to April 1, 2016 will continue under the previous base rate system until maturity.

### **Gold monetization scheme and Sovereign gold bonds**

In October 2015, the Reserve Bank of India issued guidelines on gold monetization scheme where banks are allowed to mobilize gold deposits and provide loans against these deposits. The minimum deposit under the gold deposit scheme at any one time is 30 grams of raw gold with short term bank deposits allowed for a minimum of 1-3 years, and treated as on-balance sheet liability and medium term deposits of 5-7 years and long term of 12-15 years. The medium and long term deposits will be the liability of the central government.



The Reserve Bank of India also issued guidelines on sovereign gold bonds with investments in such bonds being eligible for statutory liquidity ratio calculations. The bonds could also be used as collateral for loans.

### **Regulations governing banking units in International Financial Services Centres in India**

In March 2015, the Reserve Bank of India issued guidelines relating to Indian banks setting up banking units in International Financial Services Centres 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 centre 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 persons resident in India as well as not 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.

SEBI had issued guidelines on International Financial Service Centres on March 27, 2015. 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 guidelines on International Financial Service Centres, 2015. The said amendment has brought changes to credit rating requirements, provisions regarding agreements with depositories and custodians and the reporting of financial instruments.

### **Implementation of Indian Accounting Standards (“Ind-AS”)**

RBI has advised scheduled commercial banks to follow Indian Accounting Standards (**Ind-AS**) as notified under ‘Companies (Indian Accounting Standards, ‘Ind-AS’) Rules, 2015’, subject to any relevant RBI guideline/direction. The format includes:

- (a) Ind-As will be applicable to both standalone and consolidated financial statements and banks must comply with it for financial statements for accounting periods beginning from 1 April 2018, with comparatives for the periods ending March 31, 2018 or thereafter.
- (b) Banks will not be permitted to adopt Ind-AS earlier than the abovementioned timelines.
- (c) Banks must ensure compliance with the MCA Press Release dated January 18, 2016 which provides that notwithstanding roadmap for companies, holding, subsidiary, joint venture or associate companies of banks will be required to prepare Ind-AS based financial statements for accounting periods beginning from April 1, 2018, with comparatives for the periods ending March 31, 2018.

Furthermore, in accordance with the RBI notification dated June 23, 2016, banks have been directed to be in preparedness for the transition to Ind-AS and to submit “Proforma Ind AS Financial Statements” to the RBI from the half-year ended September 30, 2016, onwards.

## **RBI Report on Medium-term path on financial inclusion**

A Committee set up by RBI to prepare a five-year financial inclusion strategy has recommended in its Report, that all credit accounts be linked to a unique biometric identifier such as the Aadhaar unique identity number to help identify multiple loan accounts and prevent borrowers from becoming over-indebted. Further, short-term interest rate subvention, or subsidies, on crop loans must be phased out and replaced with a crop insurance scheme for small and marginal farmers. It has also brought up the concept of Islamic banking.

## **Indian Financial Code (“IFC”)**

The Financial Sector Legislative Reforms Commission (“FSLRC”) set up on March 24, 2011, for re-writing the financial sector laws to bring them in harmony with the current requirements, submitted its Report to the Government on March 22, 2013. The Commission *inter alia* recommended a non-sectoral, principle-based legislative architecture for the financial sector, by restructuring existing regulatory agencies and creating new agencies, wherever needed for better governance and accountability. The Commission presented its Report to the Government of India on March 22, 2013. The Report is in two parts: Volume I — titled “Analysis and Recommendations” and Volume II — titled the “Draft Law” consisting of the Draft IFC. The Draft IFC along with the Report of the FSLRC was placed in public domain on the home page of website of the Ministry of Finance on March 28, 2013. Comments on the Draft IFC and the Report were invited from the public at large and all stakeholders through a Press Release on June 6, 2013. The Draft IFC has been revised. The modifications mainly relate to: strengthening the regulatory accountability of financial agencies, removing the provision empowering FSAT to review Regulations, rulemaking and operational aspects of capital controls, monetary policy framework and composition of the Monetary Policy Committee (MPC), regulation of systematically important payment system and others, removing the provision of special guidance etc. Further the modifications have taken into consideration the enactments subsequent to the submission of the FSLRC report; namely The Pension Fund Regulatory and Development Authority Act, 2013 (PFRDA Act) and Securities Laws (Amendment) Act, 2014. However, the modifications in the revised Draft IFC remain consistent with the overall structure and philosophy of the FSLRC Report.

## **The Negotiable Instruments (Amendment) Act, 2015**

The Act has received the assent of the President on December 26, 2015 and is deemed to have come into force from June 15, 2015. It primarily amends the Negotiable Instruments Act, 1881 to provide for the filing of cheque bounce cases at the place where cheques are presented for their clearance, and not the place of issue. It thus makes filing of cheque-bounce cases more convenient for persons receiving cheques.

## **Enactment of new Foreign Exchange Management Regulations**

The RBI has recently notified the following new regulations:

- *FEMA (Realisation, Repatriation and Surrender of Foreign Exchange) Regulations, 2015*

The RBI notified the aforesaid regulations on December 29, 2015 relating to the manner of, and the period for, realisation of foreign exchange, repatriation of realised foreign exchange to India, and its surrender.

- *FEMA (Export and Import of Currency) Regulations, 2015*

The RBI notified the aforesaid regulations on December 29, 2015 to provide for, among other things, the export and import of Indian currency and currency notes, prohibition on export of Indian coins, export and import of foreign currency, conditions for the import of foreign exchange into India, etc.

- *FEMA (Possession and Retention of Foreign Currency) Regulations, 2015*

The RBI has laid down limits for the possession and retention of foreign currency/foreign coins, through the aforesaid regulations dated December 29, 2015. It has also enshrined conditions for the possession of foreign exchange by a person resident in India but not permanently so.

- *FEMA (Insurance) Regulations, 2015*

The RBI has notified the aforesaid regulations on December 29, 2015 to provide for the holding by a person resident in India of a general or life insurance policy issued by an insurer outside India, the requisite permission for the same, etc.

- *Foreign Exchange Management (Manner of Receipt and Payment) Regulations, 2016*

The RBI has released the Regulations dealing with the manner of receipt and payment of foreign exchange. The Regulations, *inter alia*, contain specific provisions with respect to the following:

- (a) manner of receipts in foreign exchange, and certain exceptional cases; and
- (b) manner of payments in foreign exchange and certain exceptional cases.

- *Foreign Exchange Management (Deposit) Regulations, 2016*

The Foreign Exchange Management (Deposit) Regulations, 2000 have been repealed and superseded by the Deposit Regulations. The Deposit Regulations regulate deposits between a person resident in India and person resident outside India. Among others, they have defined ‘Deposit’ which includes deposit of money with bank, company, proprietary concern, partnership firm, corporate body, trust or any other person. Further, RBI has stated that pursuant to the Deposit Regulations, a person resident outside India may open deposit accounts with an authorized dealer/authorized bank/Indian company under various schemes, the details of which have been specified in the respective schedules of the Deposit Regulations.

- *Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) (Third Amendment) Regulations, 2016*

By virtue of the aforesaid amendment regulations, Foreign Venture Capital Investors (“FVCIs”) can now invest in Startups. ‘Startup’ has been defined as an entity, incorporated/registered in India not prior to 5 years, with an annual turnover not exceeding Rs.25 crores in any preceding financial year, working towards innovation/development/deployment/commercialization of new products/processes/services driven by technology/intellectual property.

The RBI states that SEBI-registered FVCI may make investments in the manner and subject to conditions specified in its amended Schedule 6. Further, it has prescribed the list of sectors in which an FVCI is allowed to invest, which includes Biotechnology, IT related to hardware and software development, Nanotechnology, Seed research and development, Research and development of new chemical entities in pharmaceutical sector, Dairy industry, Poultry industry, Production of bio-fuels, Hotel-cum-convention centres with seating capacity of more than 3,000, Infrastructure sector.

- *Foreign Exchange Management (Establishment in India of a Branch office or Liaison office or Project office or any other Place of Business) Regulations, 2016*

The RBI has released the aforesaid regulations prescribing the permissible activities, conditions and eligibility for setting-up an establishment of branch office, liaison office and/or project office in India by persons resident outside India. It has also clarified that persons from Bangladesh, Sri Lanka, Afghanistan, Iran, China, Hong Kong or Macau opening a branch office/liaison office/project

office/any other place of business in India will have to register with the concerned State Police Authorities. Further, the procedure for remittance of profit or surplus, acquisition/transfer of property, closure of office and remittance of winding-up proceeds have also been prescribed under the Regulations.

- *Foreign Exchange Management (Remittance of Assets) Regulations, 2016*

The RBI has released the aforesaid regulations, primarily dealing with the following issues- (a) Prohibition on remittance of assets outside India; (b) permission for remittance of assets in certain cases; (c) permission to Indian entities to remit the funds in certain cases; (d) permission for remittance of assets on closure or remittance of winding up proceeds of branch/liaison office (other than project office); and (e) RBI' prior permissions in certain cases.

- *Amendments to the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 vide Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) (Fifteenth Amendment) Regulations, 2016*

The RBI issued the aforesaid regulations on January 10, 2017, primarily dealing with the raising of finance by startup companies through the issuance of 'convertible note(s)'. A startup company engaged in a sector where foreign investment requires government approval may issue convertible notes to a non-resident only with the approval of the government. For the purpose of this regulation, the issuance of shares against such convertible notes has to be in accordance with Schedule 1 of the Principal Regulations.

Some of the key provisions of these regulations are set out below: (i) A startup company issuing convertible notes to a person resident outside India shall receive the amount of consideration by inward remittance through banking channels or by debit to the NRE / FCNR (B) / Escrow account maintained by the person concerned in accordance with the Foreign Exchange Management (Deposit) Regulations, 2016, as amended from time to time. (ii) It is provided that an escrow account for the above purpose shall be closed immediately after the requirements are completed or within a period of six months, whichever is earlier. (iii) However, in no case shall continuance of such escrow account be permitted beyond a period of six months. NRIs may acquire convertible notes on a non-repatriation basis in accordance with Schedule 4 of the Principal Regulations. (iv) A person resident outside India may acquire or transfer, by way of sale, convertible notes, from or to, a person resident in or outside India, provided the transfer takes place in accordance with the pricing guidelines as prescribed by RBI. (v) Prior approval from the Government is required to be obtained for such transfers where the startup company is engaged in a sector which requires Government approval. (vi) The startup company issuing convertible notes will be required to furnish reports as prescribed by the Reserve Bank.

A convertible note is an instrument issued by a startup company evidencing receipt of money initially as debt, which is repayable at the option of the holder or which is convertible into such number of equity shares of such startup company within a period not exceeding five years from the date of issue of the convertible note upon the occurrence of specified events as per the other terms and conditions agreed to and indicated in the instrument.

### **Transactions in derivatives by regulated institutional entities on electronic platforms**

The RBI has, by its notification dated May 5, 2016 decided to enable any institutional entity regulated by the RBI, the Securities and Exchange Board of India, the IRDAI, the Pension Fund Regulatory and Development Authority and the National Housing Bank to trade in interest rate swaps on electronic trading platforms.

## **Revision of RBI Guidelines for Financial Inclusion Fund (“FIF”)**

The Government has merged the FIF and Financial Inclusion Technology Fund to form a single Financial Inclusion Fund. RBI by its notification dated October 15, 2015, finalized the new scope of activities and guidelines for utilization of the new FIF. It will be administered by the reconstituted Advisory Board constituted by the Government and will be maintained by NABARD.

## **Opening and Maintenance of Rupee/Foreign Currency Vostro Accounts of Non-Resident Exchange Houses: Rupee Drawing Arrangement**

With the objective to streamline the remittance arrangement under the Speed Remittance Procedure and make remittances cost-effective, the RBI has, vide its notification dated April 28, 2016 decided to drop the requirement of maintenance of collateral or cash deposits by the Exchange Houses. The AD banks are free to determine the collateral requirement based on factors such as whether the remittances are pre-funded, track record of the Exchange House.

## **Overseas Direct Investment (“ODI”) — Rationalization and reporting of ODI Forms and submission of annual performance report**

The RBI has, by its notification dated April 13, 2016 revised the form for reporting of Overseas Direct Investment (“ODI”) with immediate effect. Among other things, changes have been introduced in the online application process for submission of ODI forms by Authorised Dealer Banks (AD banks). RBI has provided AD Banks fast and easy accessibility to data, introduced the concept of AD Maker, AD Checker and AD Authorizer in the online application process. RBI has also subsumed the erstwhile Part II of Form ODI (which deals with reporting of remittances) within the Part I (which deals with application for ODI). A new reporting format has been introduced for Venture Capital Fund/Alternate Investment Fund, and for Portfolio Investment and overseas investment by Mutual Funds.

Moreover, by its notification dated April 13, 2016, the RBI has directed for online ODI application to be suitably modified for enabling nodal office of AD bank to view outstanding position of all APRs pertaining to an applicant, including for those JV/WOS for which it is not designated AD Bank. Further, an AD bank, before undertaking/facilitating any ODI related transaction on behalf of eligible applicant, must check with its nodal office to confirm that all APRs in respect of all JV/WOS of the applicant have been submitted. Certification of APRs by Statutory Auditor/CA need not be insisted upon (in case of RIs), self-certification may be accepted.

## **ECB Policy on Issuance of Rupee Denominated Bonds Overseas (“Masala Bonds”)**

On 29 September 2015, the RBI issued a circular on “External Commercial Borrowings (ECBs) — Issuance of Rupee denominated bonds overseas” laying down the framework for offshore issuance of Rupee denominated bonds. Pursuant to the circular, any company or body corporate, including real estate investment trusts (“REITs”) and infrastructure investment trusts (“InvITs”), can issue plain vanilla Rupee denominated bonds overseas with a five-year minimum maturity period. These issuances can be listed or unlisted and can only be made in a financial action task force (“FATF”) compliant jurisdiction and any investor from such FATF compliant jurisdictions can invest in such Rupee denominated bonds.

Banks incorporated in India cannot subscribe to such Rupee denominated bonds; however, they are permitted to act as arrangers and underwriters for such issuances. There is no all-in cost ceiling for Rupee denominated bond issuances and pricing is in accordance with market conditions. Issuers can raise up to U.S.\$750 million under the automatic route, beyond which they will require RBI approval. The proceeds of such issuance can be used for all purposes except: (a) real estate projects other than development of integrated township or affordable housing projects; (b) investment in capital markets and equity investments domestically; (c) prohibited activities under FDI Guidelines; (d) land acquisition; and (e) on-lending to other entities for any of the above objectives. The foreign



currency to Rupee conversion will be at the market rate on the date of settlement. Further, investors are allowed to hedge their Rupee exposure through permitted derivative products with: (i) AD Bank in India; (ii) the offshore branches or subsidiaries of Indian banks; or (iii) branches of foreign banks with a presence in India. Additionally, the RBI has recently floated a draft framework on ECBs for public comment which seeks to provide a more liberal regime for Rupee denominated borrowings under the ECBs framework.

However, by its notification dated April 13, 2016, the RBI has modified provisions relating to issuance of rupee denominated bonds overseas. The maximum amount which can be borrowed by an entity by issuance of such bonds is now Rs.50 billion instead of U.S.\$750 million. Proposals to borrow beyond Rs.50 billion will require RBI approval. The minimum average maturity has been reduced to three years from five years. RBI has also modified criteria for investors and locations for issuance of rupee denominated bonds overseas in order to ensure consistency regarding eligibility of foreign investors in corporate debt.

By its notification dated April 25, 2016, with a view to develop the market for rupee denominated bonds overseas, and also to provide an additional avenue for banks to raise Additional Tier I capital and Tier II capital, it was proposed, in consultation with the Government, to permit banks to issue perpetual debt instruments qualifying for inclusion as Additional Tier 1 capital and debt capital instruments qualifying for inclusion as Tier 2 capital, by way of issuing rupee denominated bonds overseas. It was also proposed to allow banks to issue rupee denominated bonds overseas under the extant framework of incentivising issuance of long term bonds by banks for financing infrastructure and affordable housing.

The RBI notified amendments to the Masala Bond regime in 2017 under the ECB Guidelines. On February 16, 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 USD 50 million equivalent in INR per financial year should be three years and for bonds raised above the USD 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 300 basis points over the prevailing yield of the Government of India securities with a corresponding maturity. Recognized Investors — these are entities permitted as investors under the provisions of paragraph 3.3.3 of the Master Direction but should not be related parties within the meaning in Ind-AS 24.

In November 2016, the RBI, with a view to developing 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 the Issue of Long Term Bonds by Banks — Financing of Infrastructure and Affordable Housing” dated July 15, 2014, as amended, by way of the issuance of Rupee-denominated bonds overseas, and additionally allowed Indian banks to issue Rupee-denominated bonds for the purposes of financing infrastructure and affordable housing. However, underwriting by the overseas branches or subsidiaries of Indian banks for such Rupee-denominated bond issuances has not been permitted.

## **IMPLEMENTATION OF FATCA**

The SEBI announced the implementation of the Multilateral Competent Authority Agreement and FATCA on August 26, 2015. Moreover, the Government of India published a “Guidance Note on Implementation of Reporting Requirements under Rules 114F to 114H of the Income-Tax Rules”



updated as of December 31, 2015. This note provides regulatory guidance to financial institutions, regulators and officers of the tax department for ensuring compliance with the reporting requirements under the said Rules. It intends to explain the complex reporting requirements and provide further guidance wherever required.

Among other things, it enshrines guidelines for new global standards on Automatic Exchange of Information (“AEOI”), enactment of FATCA and signing of the Inter-Governmental Agreement (“IGA”) with U.S.A., commitment to implement CRS on AEOI, etc.

### **RBI guidelines on benchmark lending rate**

The RBI released guidelines on computing interest rates on advances based on the marginal cost of funds dated December 17, 2015. In order to make banks pass on policy rate cut benefits to borrowers, the RBI has brought out a new methodology, namely the Marginal Cost of Funds based on Lending Rate (the **MCLR**). Marginal Rates refer to money raised by banks in the last month or quarter before the lending rate review. The new methodology will come into effect from April 1, 2016 and 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 major highlights of the guidelines are:

- 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 (the **MCLR**), which will be the internal benchmark for such purposes;
- the MCLR will be a tenor linked internal benchmark;
- actual lending rates will be determined by adding the components of spread to the MCLR;
- banks will review and publish their MCLR of different maturities every month on a pre-announced date;
- 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;
- the periodicity of reset shall be one year or lower;
- 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;
- 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
- banks will continue to review and publish the Base Rate as hitherto. The RBI has further released a Master Direction in this regard which was updated on March 29, 2016.

### **Notification relating to Priority Sector Lending Certificates**

The Central Government, by a draft notification dated February 4, 2016, has specified dealing in Priority Sector Lending Certificates in accordance with RBI guidelines, as a form of business in which it is lawful for a banking company to engage. To facilitate trading in PSLCs, a trading platform was provided through the CBS portal (e-Kuber) by the RBI on August 7, 2016.

## BOOK-ENTRY CLEARANCE SYSTEMS

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear, Clearstream or Austraclear (together, the “**Clearing Systems**”) currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but none of the Issuer, the Trustee nor any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. Neither the Issuer, the Trustee nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to, or payments made on account of, such beneficial ownership interests. Information in this section has been derived from the Clearing Systems.*

### Book-entry Systems

#### **DTC**

DTC has advised the Issuer that it is a limited purpose trust company organized under the New York Banking Law, a member of the Federal Reserve System, a “**banking organization**” within the meaning of the New York Banking Law, a “**clearing corporation**” within the meaning of the New York Uniform Commercial Code and a “**clearing agency**” registered pursuant to section 17A of the Exchange Act. DTC holds securities that its participants (“**Direct Participants**”) deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants, as the term is used herein, includes securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust and Clearing Corporation (“**DTCC**”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“**Indirect Participants**” and, together with Direct Participants, “**Participants**”). More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org) but such information is not incorporated by reference in and does not form part of this Offering Circular.).

Under the rules, regulations and procedures creating and affecting DTC and its operations (the “**DTC Rules**”), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC’s book-entry settlement system (“**DTC Notes**”) as described below and receives and transmits distributions of principal and interest on DTC Notes. The DTC Rules are on file with the Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes (“**Owners**”) have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the DTC Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest(s) in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC's records. The ownership interest of each actual purchaser of each DTC Note ("**Beneficial Owner**") is in turn to be recorded on the Direct Participant's and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede and Co., or such other name as may be requested by an authorized representative of DTC. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to DTC Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co. consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the relevant agent (or such other nominee as may be requested by an authorized representative of DTC), on the relevant payment date in accordance with their respective holdings shown in DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not of DTC or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which will be legended as set forth under "*Subscription and Sale*".

A Beneficial Owner shall give notice to elect to have its DTC Notes purchased or tendered, through its Participant, to the relevant agent, and shall effect delivery of such DTC Notes by causing the Direct Participant to transfer the Participant's interest in the DTC Notes, on DTC's records, to the relevant agent. The requirement for physical delivery of DTC Notes in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the DTC Notes are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered DTC Notes to the relevant agent's DTC account.

DTC may discontinue providing its services as depository with respect to the DTC Notes at any time by giving reasonable notice to the Issuer or the relevant agent. Under such circumstances, in the event that a successor depository is not obtained, DTC Note certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, DTC Note certificates will be printed and delivered to DTC.

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

### ***Euroclear and Clearstream***

Euroclear and Clearstream each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective accountholders. Euroclear and Clearstream provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with an accountholder of either system.

### ***Austraclear***

Each Tranche of AMTNs will be represented by a single AMTN Certificate substantially in the form set out in the Note (AMTN) Deed Poll. The Issuer shall issue and deliver, and procure the authentication by the Australian Agent of, such number of AMTN Certificates as are required from time to time to represent all of the AMTNs of each Series. An AMTN Certificate is not a negotiable instrument nor is it a document of title in respect of any AMTNs represented by it. In the event of a conflict between any AMTN Certificate and the register in respect of the AMTNs (the "**A\$ Register**"), the Register shall prevail (subject to correction for fraud or proven error).

On issue of any AMTNs, the Issuer will (unless otherwise specified in the applicable Pricing Supplement) procure that the AMTNs are lodged with the Austraclear System. On lodgement, Austraclear will become the sole registered holder and legal owner of the AMTNs. Subject to the Austraclear System Regulations, accountholders may acquire rights against Austraclear in relation to those AMTNs as beneficial owners and Austraclear is required to deal with the AMTNs in accordance with the directions and instructions of the accountholders. Any potential investors who are not

accountholders would need to hold their interest in the relevant AMTNs through a nominee who is an accountholder. All payments by the Issuer in respect of AMTNs entered in the Austraclear System will be made directly to an account agreed with Austraclear or as it directs in accordance with the Austraclear System Regulations.

### ***Holding of AMTNs through Euroclear and Clearstream***

Once lodged with the Austraclear System, interests in the AMTNs may be held through Euroclear or Clearstream. In these circumstances, entitlements in respect of holdings of interests in the AMTNs in Euroclear would be held in the Austraclear System by HSBC Custody Nominees (Australia) Limited as nominee of Euroclear, while entitlements in respect of holdings of interests in the AMTNs in Clearstream would be held in the Austraclear System by a nominee of J.P. Morgan Chase Bank N.A. as custodian for Clearstream.

The rights of a holder of interests in AMTNs held through Euroclear or Clearstream are subject to the respective rules and regulations of Euroclear and Clearstream, the arrangements between Euroclear and Clearstream and their respective nominees and the Austraclear System Regulations.

### ***Transfers***

Any transfer of AMTNs will be subject to the Corporations Act 2001 of the Commonwealth of Australia and the other requirements set out in the terms and conditions of the AMTNs and, where the AMTNs are entered in the Austraclear System, the Austraclear System Regulations.

Secondary market sales of AMTNs settled in the Austraclear System will be settled in accordance with the Austraclear System Regulations.

### ***Relationship of accountholders with Austraclear***

Accountholders who acquire an interest in AMTNs lodged with the Austraclear System must look solely to Austraclear for their rights in relation to such Notes and will have no claim directly against the Issuer in respect of such AMTNs although under the Austraclear System Regulations, Austraclear may direct the Issuer to make payments direct to the relevant accountholders.

Where Austraclear is registered as the holder of any AMTNs that is lodged with the Austraclear System, Austraclear may, where specified in the Austraclear System Regulations, transfer the AMTNs to the person in whose Security Record (as defined in the Austraclear System Regulations) those AMTNs are recorded and, as a consequence, remove those AMTNs from the Austraclear System.

Potential investors in AMTNs should inform themselves of, and satisfy themselves with, the Austraclear System Regulations and (where applicable) the rules of Euroclear and Clearstream and the arrangements between them and their nominees in the Austraclear System.

AMTNs lodged with the Austraclear System will be transferable only in accordance with the rules and regulations (in force from time to time) of the Austraclear System. The transferor of an AMTN is deemed to remain the Noteholder of such AMTN until the name of the transferee is entered in the A\$ Register in respect of such AMTN.

### **Book-entry Ownership of and Payments in respect of DTC Notes**

The Issuer may apply to DTC in order to have certain Tranches of Notes represented by Registered Global Notes accepted in its book-entry settlement system. Upon the issue of any such Registered Global Notes, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Notes to the accounts of persons who have accounts with DTC. Such accounts initially will be

designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Registered Global Note will be limited to Direct Participants or Indirect Participants, including the respective depositaries of Euroclear and Clearstream. Ownership of beneficial interests in such a Registered Global Note will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Registered Global Note registered in the name of DTC's nominee will be made to the order of such nominee as the registered holder of such Note. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC's nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Registered Global Notes in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants' account.

The Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer also expects that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Trustee, the Principal Paying Agent, the Registrar or the Issuer. Payment of principal, premium, if any, and interest, if any, on Notes to DTC is the responsibility of the Issuer.

#### **Transfers of Notes Represented by Registered Global Notes**

Transfers of any interests in Notes represented by a Registered Global Note within DTC, Euroclear and Clearstream will be effected in accordance with the customary rules and operating procedures of the relevant Clearing System. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Registered Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Registered Global Note to pledge such Notes to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Registered Global Note to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a Direct Participant or Indirect Participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under "*Subscription and Sale*", cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream or Euroclear accountholders, on the other, will be effected by the relevant Clearing System in accordance with its rules and through action taken by the Registrar, the Principal Paying Agent and any custodian ("**Custodian**") with whom the relevant Registered Global Notes have been deposited.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream and Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream or Euroclear 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 Clearstream and Euroclear, on the other,



transfers of interests in the relevant Registered Global Notes will be effected through the Registrar, the Principal Paying Agent and the Custodian 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. In the case of cross-market transfers, settlement between Euroclear or Clearstream 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.

DTC, Clearstream and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among Participants of DTC and accountholders of Clearstream and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Trustee, the Agents and the Dealers will be responsible for any performance by DTC, Clearstream or Euroclear or their respective Direct or Indirect Participants or accountholders (as appropriate) of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

### **Suspension of Transfers during Suspension Period**

Subject to the procedures of DTC, Euroclear or Clearstream, transfers of Subordinated Notes shall be suspended during any Suspension Period. As a result, holders will not be able to settle the transfer of any such Subordinated Notes from the commencement of the Suspension Period, and any sale or other transfer of such Subordinated Notes that a holder may have initiated prior to the commencement of the Suspension Period that is scheduled to settle during the Suspension Period will be rejected by DTC, Euroclear or Clearstream, as the case may be, and will not be settled within DTC, Euroclear or Clearstream. See *“Investment Considerations — Risks Relating to the Subordinated Notes — Upon the occurrence of a PONV Trigger Event or a CET1 Trigger Event, clearance and settlement of the Subordinated Notes will be suspended and there may be a delay in updating the records of the relevant clearing systems to reflect the amount Written-Down”*.

## TAXATION

*The information provided below does not purport to be a comprehensive description of all tax considerations which may be relevant to a decision to purchase 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 Circular 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 with the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of 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 in securities) 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 applicable in India, Hong Kong, Australia, the Bahamas and the United Kingdom and each country of which they are residents or the countries of purchase, holding or disposition of Notes.**

### **Indian Taxation**

*The following is a summary of the principal Indian tax consequences to investors who are non-residents of India (“**Non-resident Investors**”) purchasing the Notes. The summary is based on Indian taxation law and practice in force at the date of this Offering Circular 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 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 5% plus applicable surcharge and education cess and secondary and higher 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. An applicable tax treaty may further reduce such withholding tax liability subject to fulfilment of the conditions prescribed therein and if the beneficial recipient furnishes prescribed particulars along with a tax residency certificate issued by the government of the jurisdiction of which the investor is a resident.

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 10, the Bank will, subject to certain exceptions, pay additional amounts as may be necessary in order that the net amount received by the Noteholders after the withholding or deduction shall equal the respective 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 up to 5% under Section 115A of the Income Tax Act, 1961 (plus applicable surcharge, education cess and secondary and higher 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. However, an applicable tax treaty may further reduce such tax liability subject to fulfilment of the conditions prescribed therein. A Non-resident Investor would be obliged 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 of Notes denominated in any currency other than Indian Rupees***

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 chargeable to income tax in India from a disposition of the Notes held as a capital asset 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 tax 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 located 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 10.0% of the capital gains (plus applicable surcharge, education cess and secondary and higher education cess) subject to and in accordance with the existing provisions of the Income Tax Act, 1961;
- (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, education cess and secondary and higher 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/benefits available under the relevant tax treaty, subject to fulfilment of the conditions prescribed therein.

Non-resident Investors should consult their own tax advisors regarding the Indian tax consequences of disposing of the Notes.

#### ***Taxation of persons ordinarily resident in India***

Any income received in respect of the Notes by a person ordinarily resident in India under the provisions of the Income Tax Act, 1961 may generally be subject to tax in India according to the personal or corporate rate of tax, as may be applicable.

#### ***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, or any instrument of transfer is executed within or brought into India. In the event the Notes are brought into India for enforcement or for any other purpose, or to be admissible in evidence in the courts of India, the same will be required to be stamped according to the applicable stamp duty as payable in the relevant state in India. This stamp duty will have to be paid within a period of three months from the date the Notes or any instrument of transfer are first received in India.

### **AUSTRALIAN TAXATION**

The following taxation summary is of a general nature only and addresses only some of the key Australian tax implications that may arise for a prospective holder of a Note or an interest in a Note (in the following taxation summary, an “Investor”) as a result of acquiring, holding or transferring the Note. The following is not intended to be and should not be taken as a comprehensive taxation summary for an Investor. Each reference in the following taxation summary to a “Note” includes a reference to an “interest in a Note” as the context requires.

The taxation summary is based on the Australian taxation laws in force and the administrative practices of the Australian Taxation Office (the “ATO”) generally accepted as of the date of this Offering Circular. Any of these may change in the future without notice and legislation introduced to give effect to announcements may contain provisions that are currently not contemplated and may have retroactive effect.

Investors should consult their professional advisors in relation to their tax position. Investors who may be liable to taxation in jurisdictions other than Australia in respect of their acquisition, holding or disposal of Notes are particularly advised to consult their professional advisors as to whether they are so liable (and, if so, under the laws of which jurisdictions), since the following

comments relate only to certain Australian taxation aspects of the Notes. In particular, Investors should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of Australia.

### *Taxation of Interest on Notes*

#### *Onshore Investors*

Investors who are Australian tax residents, or who are non-residents that hold the Notes in carrying on business at or through a permanent establishment in Australia, will be taxable by assessment in respect of any interest income derived in respect of the Notes. Such Investors will generally be required to lodge an Australian tax return. The timing of assessment of the interest (e.g. a cash receipts or accruals basis) will depend upon the tax status of the particular Investors, the Terms and Conditions applicable to the Notes, and the potential application of the “Taxation of Financial Arrangements” provisions of the *Income Tax Assessment Act 1997* (Australia).

If an Investor is an Australian resident (other than one that holds the Notes in carrying on business at or through a permanent establishment outside Australia) or a non-resident that holds the Notes in carrying on business at or through a permanent establishment in Australia, no Australian interest withholding tax will be payable. In addition, payments on Notes issued otherwise than through the Issuer’s Australian branch will not be subject to Australian interest withholding tax.

Tax at the highest marginal income tax rate plus the Medicare levy (in aggregate, currently 47%) may be deducted from payments to such Investors if the Investors do not provide an Australian tax file number (the “TFN”) or an Australian Business Number (the “ABN”) (where applicable), or proof of a relevant exemption form quoting such numbers.

#### *Offshore Investors*

So long as the Issuer continues to be a non-resident of Australia, where the Notes issued by it are not attributable to an Australian permanent establishment of the Issuer, payments of principal and interest made in respect of the Notes should not be subject to Australian interest withholding tax. However, interest (which for the purposes of withholding tax is defined in section 128A(1AB) of the *Income Tax Assessment Act 1936* (Australia) to include amounts in the nature of, or in substitution for, interest and certain other amounts, including premiums on redemption or, for a Note issued at a discount, the difference between the amount repaid and the issue price) on Notes issued by the Issuer out of its Sydney branch will be subject to Australian interest withholding tax, at a current rate of 10%, where the interest is paid to a non-resident Investor and not derived in carrying on business at or through an Australian permanent establishment, or to an Australian resident Investor who derived the interest in carrying on business at or through a permanent establishment outside Australia (subject to certain exemptions — see below).

Depending on their terms, Notes could in some cases be characterized as equity interests for tax purposes and be subject to different rules (e.g. Notes with returns contingent on the Issuer’s performance or discretion, or convertible into shares in the Issuer). As of the date of this Offering Circular, the Issuer does not intend to issue any Notes that would be characterized as equity interests for tax purposes.

Various exemptions are available from Australian interest withholding tax, including the “public offer” exemption, the tax treaty exemption and the superannuation fund exemption (each as discussed below).

## ***Public Offer Exemption***

Pursuant to section 128F of the *Income Tax Assessment Act 1936* (Australia), an exemption from Australian interest withholding tax relevantly applies to interest paid where:

- at the time the relevant Notes are issued and the interest is paid, the issuer is a company that is a non-resident carrying on business at or through an Australian permanent establishment; and
- the relevant Notes were issued in a manner which satisfies the “public offer test”.

There are five principal methods of satisfying the public offer test, the purpose of which is to ensure that lenders in capital markets are aware that the Issuer is offering those Notes for issue. In summary, the five methods are:

- offers to ten or more unrelated financiers or securities dealers;
- offers to 100 or more investors;
- offers of listed Notes;
- offers via publicly available information sources; and
- offers to a dealer, manager or underwriter who offers to sell those Notes within 30 days by one of the preceding methods.

Unless otherwise specified in any applicable final terms (or another relevant supplement to this Offering Circular), the Issuer intends to issue Notes out of its Sydney branch in a manner which will satisfy the requirements of section 128F of the *Income Tax Assessment Act 1936* (Australia). Where this is not the case, Investors will be notified in the relevant final terms.

Importantly, the public offer test will not be satisfied if, at the time of issue, the Issuer knew or had reasonable grounds to suspect that a Note, or an interest in a Note, was being or would later be acquired directly or indirectly by an Offshore Associate (as defined below) of the Issuer, other than in the capacity of a dealer, manager or underwriter in relation to the placement of the relevant Notes, or a clearing house, custodian, funds manager or responsible entity of a registered scheme.

The exemption from Australian interest withholding tax will also not apply to interest paid by the Issuer to an Offshore Associate of the Issuer if, at the time of the payment, the Issuer knows, or has reasonable grounds to suspect, that such person is an Offshore Associate and the Offshore Associate does not receive the payment in the capacity of a clearing house, paying agent, custodian, funds manager or responsible entity of a registered scheme.

An Offshore Associate (“**Offshore Associate**”) means an “associate” (as defined in section 128F(9) of the *Income Tax Assessment Act 1936* (Australia), and which includes, among other things, persons under common control or influence) of the Issuer that is either:

- a non-resident of Australia that does not acquire the Notes or an interest in the Notes in carrying on a business in Australia at or through a permanent establishment of the associate in Australia; or
- a resident of Australia that acquires the Notes or an interest in the Notes in carrying on a business in a country outside Australia at or through a permanent establishment of the associate in that country.



Accordingly, the Notes should not be acquired by any Offshore Associate of the Issuer except in the circumstances listed above.

### ***Double Tax Treaties***

The Australian government has signed a number of double tax treaties (“**Specified Treaties**”) with certain countries including the United States of America, the United Kingdom, Switzerland, Germany, Norway, Finland, the Republic of France, Japan, the Republic of South Africa, and New Zealand (each a “**Specified Country**”). The Specified Treaties may apply to interest derived by a resident of a Specified Country in relation to a Note issued by the Issuer through its Sydney branch.

The Specified Treaties effectively prevent withholding tax applying to interest derived by:

- (a) the government of the relevant Specified Country and certain governmental authorities and agencies in the Specified Country; and
- (b) certain unrelated banks, and financial institutions which substantially derive their profits by carrying on a business of raising and providing finance, which are resident in the Specified Country and dealing wholly independently with the Issuer (however, back-to-back loans and economically equivalent arrangements will not obtain the benefit of the reduction in interest withholding tax and the anti-avoidance provisions in the *Income Tax Assessment Act 1936* (Australia) can apply),

by reducing the interest withholding tax rate to zero. Particular tax treaties may have additional requirements. Investors should obtain their own independent tax advice as to whether any of the exemptions under the relevant Specified Treaties apply to their particular circumstances.

All Specified Treaties listed above are currently in effect.

### ***Exemption for Superannuation Funds***

An exemption from Australian interest withholding tax is also available in respect of interest paid to a non-resident superannuation fund where that fund is a superannuation fund maintained solely for foreign residents and the interest arising from the Notes is exempt from income tax in the country in which such superannuation fund is resident.

### ***Bearer Debentures***

Section 126 of the *Income Tax Assessment Act 1936* (Australia) imposes a type of withholding tax at the current rate of 45% on the payment of interest on Notes in bearer form if the Issuer fails to disclose the names and addresses of the relevant holders of Notes to the ATO (or in the case of a Note held by a clearing house, the name and address of the clearing house). These rules generally only apply to holders of Notes who are Australian tax residents, or non-residents that hold the Notes in carrying on business at or through a permanent establishment in Australia.

### ***Taxation of Gains on Disposal or Redemption***

#### ***Onshore Investors***

Investors who are Australian tax residents, or who are non-residents that hold the Notes in carrying on business at or through a permanent establishment in Australia, will be required to include any gain or loss on disposal of the Notes in their assessable income.

The determination of the amount and timing of any gain or loss on disposition or redemption of the Notes may be affected by the “Taxation of Financial Arrangements” provisions, which provide for a specialized regime for the taxation of financial instruments and, where the Notes are denominated in a currency other than Australian Dollars, the foreign currency rules. Prospective Investors should obtain their own independent tax advice in relation to the determination of any gain or loss on disposal or redemption of the Notes.

#### *Offshore Investors*

An Investor who is a non-resident of Australia and who has never held the Notes in the course of carrying on a trade or business at or through a permanent establishment within Australia will not be subject to Australian income tax or capital gains tax on gains realised on the sale or redemption of such Notes provided such gains do not have an Australian source. A gain arising on the sale of a Note by a non-Australian resident holder to another non-Australian resident where the Note is sold outside Australia and all negotiations are conducted and all documentation is executed outside Australia would not be regarded as having an Australian source.

Special rules can apply to treat a portion of the purchase price of Notes as interest for withholding tax purposes where deferred-return Notes (for example, Notes which pay a return that is deferred by more than 12 months) are sold to an Australian Investor.

#### *Collection Powers*

The ATO and other revenue authorities in Australia have wide powers for the collection of unpaid tax debts. This can include issuing a notice to the Issuer requiring a deduction from any payment to an Investor in respect of any unpaid tax liabilities of that Investor.

#### *Stamp Duty*

No ad valorem stamp, issue, registration or similar taxes are payable in Australia on the issue, transfer or redemption of the Notes.

#### *Death Duties*

The Notes will not be subject to death, estate or succession duties imposed by Australia or by any political subdivision or authority therein having power to tax if held at the time of death.

#### *Goods and Services Tax*

Neither the issue nor receipt of the Notes will give rise to a liability for GST in Australia on the basis that the supply of Notes will comprise either an input taxed financial supply or (in the case of an issue of Notes by a branch of the Bank in Australia to an offshore non-resident subscriber) a GST-free supply. Furthermore, neither the payment of principal nor of interest on the Notes would give rise to a GST liability.

#### **Hong Kong Taxation**

##### *Withholding Tax*

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

##### *Profits Tax*

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- (i) interest on the Notes is derived from Hong Kong and is received by or accrues to a company carrying on a trade, profession or business in Hong Kong;
- (ii) interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a company, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business; or
- (iii) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of the Laws of Hong Kong) and arises through or from the carrying on by the financial institution of its business in Hong Kong.

Pursuant to the Exemption from Profits Tax (Interest Income) Order (Cap. 112T) of the Laws of Hong Kong, interest income accruing to a person other than a financial institution, on deposits (denominated in any currency and whether or not the deposit is evidenced by a certificate of deposit) placed with, *inter alia*, an authorized institution in Hong Kong (within the meaning of section 2 of the Banking Ordinance (Cap. 155) of the Laws of Hong Kong) is exempt from the payment of Hong Kong profits tax. This exemption does not apply, however, to deposits that are used to secure or guarantee money borrowed in certain circumstances. Provided no prospectus involving the issue of the Notes is registered under the Companies Ordinance (Cap. 32) of the Laws of Hong Kong, the issue of the Notes by the Issuer is expected to constitute a deposit to which the above exemption from payment will apply.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or redemption of Bearer Notes will be subject to profits tax.

Sums derived from the sale, disposal or redemption of Bearer Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source. Similarly, such sums in respect of Registered Notes received by or accrued to either the aforementioned person and/or a financial institution will be subject to Hong Kong profits tax if such sums have a Hong Kong source. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed.

### ***Stamp Duty***

Stamp Duty will not be payable on the issue of Bearer Notes provided either:

- (i) such Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or
- (ii) such Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of the Laws of Hong Kong).

If stamp duty is payable, it is payable by the Issuer on issue of Bearer Notes at a rate of 3% of the market value of the Notes at the time of issue. No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any transfer of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfers of Registered Notes provided that either:

- (i) the Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or
- (ii) the Registered Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of the Laws of Hong Kong).

If stamp duty is payable in respect of the transfer of Registered Notes it will be payable at the rate of 0.2% (of which 0.1% is payable by the seller and 0.1% is payable by the purchaser) normally by reference to the value of the consideration. If, in the case of either the sale or purchase of such Registered Notes, stamp duty is not paid, both the seller and the purchaser may be liable jointly and severally to pay any unpaid stamp duty and also any penalties for late payment.

If stamp duty is not paid on or before the due date (two days after the sale or purchase if effected in Hong Kong or 30 days if effected elsewhere) a penalty of up to 10 times the duty payable may be imposed. In addition, stamp duty is payable at the fixed rate of HK\$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

### ***Estate Duty***

No estate duty will be payable in respect of Notes.

### **Bahamas Taxation**

There are no withholding, capital gains, wealth, gift or any other taxes payable with respect to the Notes save for stamp duty. Stamp duty is payable because the Notes are considered “Foreign Currency-Denominated Debt Instruments” within the meaning prescribed under the Stamp Act as amended from time to time. The rate of stamp duty is the lower of (i) 0.35% of the fees payable by the Issuer for the arrangement, underwriting and/or placement in respect of the Notes and (ii) \$25,000.00. Non-payment of stamp duty will result in the imposition of significant penalties after a period of six months from the date of the relevant transaction. Additionally, the Offering Circular and any related documents would only be admissible in a Bahamian court if they are stamped accordingly.

### **United Kingdom Taxation**

*The following applies only to persons who are the beneficial owners of Notes and is a summary of the Issuer’s understanding of current United Kingdom law and published HM Revenue and Customs’ (“HMRC”) practice relating only to United Kingdom withholding tax treatment of payments of interest (as that term is understood for United Kingdom tax purposes) in respect of Notes. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective Noteholders 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.*

Payments of interest on the Notes that does not have a United Kingdom source may be made without deduction or withholding on account of United Kingdom income tax. If interest paid on the Notes does have a United Kingdom source, then payments may be made without deduction or withholding on account of United Kingdom income tax in any of the following circumstances.

Payments of interest on the Notes may be made without deduction or withholding for or on account of United Kingdom income tax, provided the Issuer is and continues to be a bank within the meaning of section 991 of the Income Tax Act 2007 (the “**ITA 2007**”) and provided that the interest on the Notes is and continues to be paid in the ordinary course of the Issuer’s business within the meaning of section 878 of the ITA 2007.

Payments of interest on the Notes may also be made without deduction of or withholding on account of United Kingdom income tax provided that the Notes carry a right to interest and are and continue to be listed on a “recognized stock exchange” within the meaning of section 1005 of the ITA 2007. The SGX-ST is a recognized stock exchange. 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 on the Main Board of the SGX-ST. Provided, therefore, that the Notes are and remain so listed on a “recognized stock exchange”, interest on the Notes will be payable without deduction of or withholding on account of United Kingdom tax whether or not the Issuer is a bank for the purposes of section 991 of the ITA 2007 and whether or not the interest is paid in the ordinary course of its business.

Interest on the Notes may also be paid without deduction of or withholding on account of United Kingdom tax where the maturity of the Notes is less than 365 days and those Notes do not form part of a scheme or arrangement of borrowing intended to be capable of remaining outstanding for more than 364 days.

In other cases, where the relevant payments of interest are treated as having a United Kingdom source, an amount must generally be withheld from payments of interest on the Notes on account of United Kingdom income tax at the basic rate (currently 20%), subject to any other available exemptions and reliefs. However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

### **Foreign Account Tax Compliance Act**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “**foreign financial institution**” (as defined by FATCA) may be required to withhold on certain payments it makes (“**foreign passthru payments**”) to persons that fail to meet certain certification, reporting or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including the jurisdiction of the Issuer) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be

required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, such withholding would not apply prior to January 1, 2019 and Notes issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional Notes (as described under “*Terms and Conditions — Further Issues*”) that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Notes.

### **The proposed financial transactions tax (“FTT”)**

On February 14, 2013, the European Commission published a proposal (the “**Commission’s Proposal**”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**participating Member States**”). However, Estonia has since stated that it will not participate.

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No. 1287/2006 are expected to be exempt.

Under the Commission’s Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.



## SUBSCRIPTION AND SALE

The Dealers have, in an amended and restated program agreement dated October 25, 2017 (such program agreement as further amended and/or supplemented and/or restated from time to time (the “**Program Agreement**”), agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes or, in the case of Definitive IAI Registered Notes, procure purchasers of Notes. Any such agreement will extend to those matters stated under “*Form of the Notes*” and “*Terms and Conditions of the Notes*”. In the Program Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Program and the issue of Notes under the Program and to indemnify the Dealers against certain liabilities incurred by them in connection therewith. The Program Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

The Dealers and their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. Each of the Dealers may have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer or its subsidiaries, jointly controlled entities or associated companies from time to time. In the ordinary course of their various business activities, the Dealers and their affiliates may make or hold (on their own account, or behalf of clients or in their capacity of investment advisers) 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 may at any time hold long and short positions in such securities and instruments and enter into other transactions, including credit derivatives (such as asset swaps, repackaging and credit default swaps) in relation thereto. Such transactions, investments and securities activities may involve securities and instruments of the Issuer or its subsidiaries, jointly controlled entities or associated companies, including Notes issued under the Program, may be entered into at the same time or proximate to offers and sales of Notes or at other times in the secondary market and be carried out with counterparties that are also purchasers, holders or sellers of Notes. Notes issued under the Program may be purchased by or be allocated to any Dealer or an affiliate for asset management and/or proprietary purposes but not with a view to distribution.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the relevant Dealer(s) or any affiliate of the relevant Dealer(s) is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that relevant Dealer or its affiliate on behalf of the Issuer in such jurisdiction.

### **Selling Restrictions**

#### *United States*

1.1 In respect of Notes offered or sold in reliance on Category 1 as specified in the applicable Pricing Supplement, the Notes have not been and will not be registered under the Securities Act, and 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. Each Dealer has represented and agreed that it has not offered or sold, and will not offer or sell, any Notes constituting part of its allotment except in accordance with Rule 903 of Regulation S under the Securities Act.

In respect of Notes offered or sold in reliance on Category 2 as specified in the applicable Pricing Supplement, the Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in the Securities Act) except in accordance with Regulation S under the Securities Act or pursuant to an exemption from, or not subject to, the registration requirements of the Securities Act. Each

Dealer has represented and agreed that it has offered and sold any Notes, and will offer and sell any Notes (i) as part of their distribution at any time and (ii) otherwise until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part, as determined and certified as provided below, only in accordance with Rule 903 of Regulation S under the Securities Act. Each Dealer who has purchased Notes of a Tranche hereunder (or in the case of a sale of a Tranche of Notes issued to or through more than one Dealer, each of such Dealers as to the Notes of such Tranche purchased by or through it or, in the case of a syndicated issue, the relevant Lead Manager) shall determine and certify to the Principal Paying Agent the completion of the distribution of the Notes of such Tranche. On the basis of such notification or notifications, the Principal Paying Agent has agreed to notify such Dealer/Lead Manager of the end of the distribution compliance period with respect to such Tranche. Each Dealer also agreed that, at or prior to confirmation of sale of Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

“The Securities covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Securities as determined and certified by the relevant Dealer, in the case of a non-syndicated issue, or the Lead Manager, in the case of a syndicated issue, and except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S.”

Terms used in this paragraph 1.1 have the meanings given to them by Regulation S.

- 1.2 Each Dealer has represented and agreed that it, its affiliates or any persons acting on its or their behalf have not engaged and will not engage in any directed selling efforts with respect to any Note, and it and they have complied and will comply with the offering restrictions requirement of Regulation S.
- 1.3 In addition in respect of Bearer Notes where TEFRA D is specified in the applicable Pricing Supplement:
  - (a) except to the extent permitted under U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D) (or any substantially identical successor United States Treasury regulation section, including without limitation, substantially identical successor regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise in connection with the United States Hiring Incentives to Restore Employment Act of 2010) (the “**D Rules**”), each Dealer (i) represented that it has not offered or sold, and agreed that during the restricted period it will not offer or sell, Notes in bearer form to a person who is within the United States or its possessions or to a United States person, and (ii) represented that it has not delivered and agreed that it will not deliver within the United States or its possessions definitive Notes in bearer form that are sold during the restricted period;
  - (b) each Dealer represented that it has and agreed that throughout the restricted period it will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;

- (c) if it is a United States person, each Dealer represented that it is acquiring Notes in bearer form for purposes of resale in connection with their original issuance and if it retains Notes in bearer form for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D)(6) (or any substantially identical successor United States Treasury regulation section, including without limitation, substantially identical successor regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise in connection with the United States Hiring Incentives to Restore Employment Act of 2010);
- (d) with respect to each affiliate that acquires Notes in bearer form from a Dealer for the purpose of offering or selling such Notes during the restricted period, such Dealer repeats and confirms the representations and agreements contained in paragraphs 1.3(a), 1.3(b) and 1.3(c) on such affiliate's behalf; and
- (e) each Dealer agreed that it will obtain from any distributor (within the meaning of U.S. Treas. Reg. § 1.163-5(c)(2)(i)(D)(4)(ii) (or any substantially identical successor United States Treasury regulation section, including without limitation, substantially identical successor regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise in connection with the United States Hiring Incentives to Restore Employment Act of 2010)) that purchases any Notes in bearer form from it pursuant to a written contract with such Dealer (except a distributor that is one of its affiliates or is another Dealer), for the benefit of the Issuer and each other Dealer, the representations contained in, and such distributor's agreement to comply with, the provisions of paragraphs 1.3(a), 1.3(b) 1.3(c) and 1.3(d) of this paragraph insofar as they relate to the D Rules, as if such distributor were a Dealer hereunder.

Terms used in this paragraph 1.3 have the meanings given to them by the U.S. Internal Revenue Code 1986 and regulations promulgated thereunder, including the D Rules.

- 1.4 In respect of Bearer Notes where TEFRA C is specified in the applicable Pricing Supplement, such Bearer Notes must be issued and delivered outside the United States and its possessions in connection with their original issuance. Each Dealer has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, such Bearer Notes within the United States or its possessions in connection with their original issuance.

Further, each Dealer has represented and agreed in connection with the original issuance of such Bearer Notes that it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if such purchaser is within the United States or its possessions and will not otherwise involve its U.S. office in the offer or sale of such Bearer Notes. Terms used in this paragraph 1.4 have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder, including U.S. Treas. Reg § 1.163-5(c)(2)(i)(C) (or any substantially identical successor regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise in connection with the United States Hiring Incentives to Restore Employment Act of 2010).

- 1.5 Notwithstanding anything above to the contrary, it is understood that Registered Notes may be offered and sold pursuant to a private placement in the United States, and in connection therewith each Dealer has represented and agreed that:
- (a) offers, sales, resales and other transfers of Notes made in the United States made or approved by a Dealer (including offers, resales or other transfers made or approved by a Dealer in connection with secondary trading) shall be made with respect to Registered Notes only and shall be effected pursuant to an exemption from the registration requirements of the Securities Act;

- (b) offers, sales, resales and other transfers of Notes made in the United States will be made only in private transactions to (1) a limited number of institutional investors that are accredited investors (as defined in Rule 501(a) (1), (2) and (3) under the Securities Act each such institutional investor being hereinafter referred to as an “accredited investor”) that has executed and delivered to a Dealer an IAI Investment Letter, or (2) institutional investors that are reasonably believed to qualify as qualified institutional buyers within the meaning of Rule 144A (each such institutional investor being hereinafter referred to as a “QIB”);
  - (c) the Notes will be offered in the United States only by approaching prospective purchasers on an individual basis. No general solicitation or general advertising within the meaning of Rule 502(c) under the Securities Act will be used in connection with the offering of the Notes in the United States;
  - (d) no sale of Notes in the United States to (1) any one Institutional Accredited Investor will be for less than U.S.\$500,000 principal amount and (2) any one QIB will be for less than U.S.\$200,000 principal amount or (in each case) its equivalent rounded upwards and no Note will be issued in connection with such a sale in a smaller principal amount. If such purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.\$500,000 (in the case of (1) above) or U.S.\$200,000 (in the case of (2) above) principal amount of the Notes; and
  - (e) each Note sold as a part of a private placement in the United States and each Regulation S Global Note shall contain a legend in substantially the form set out on the face of such Note in the Trust Deed.
- 1.6 The Issuer represented and agreed that any resale or other transfer, or attempted resale or other transfer of Notes sold as part of a private placement in the United States made other than in compliance with the restrictions set out in paragraph 1.5 shall not be recognized by the Issuer or any agent of the Issuer and shall be void.
- 1.7 Each issue of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issue and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement. The relevant Dealer agrees that it shall offer, sell and deliver such Notes only in compliance with such additional U.S. selling restrictions.

### ***European Economic Area***

In relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) if the Pricing Supplement in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a **Non-exempt Offer**), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the pricing supplement contemplating such

Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable and the issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “**offer of Notes to the public**” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression “**Prospectus Directive**” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

### ***United Kingdom***

Each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that:

- (a) in relation to any Notes having a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell, any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (**FSMA**) by the Issuer;
- (b) 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 any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied, and will comply, with all applicable provisions of the FSMA with respect to anything done by it in relation to such Notes in, from or otherwise involving the United Kingdom.

## ***Hong Kong***

In relation to each Tranche of Notes issued by the Issuer, each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that:

- (a) it has not offered or sold, and will not offer or sell in Hong Kong, by means of any document, any Notes (except for Notes which are a “structured product” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) (the SFO) other than (i) to “professional investors” as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “C(WUMP)O”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (b) it has not issued nor 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 SFO and any rules made under the SFO.

## ***The Bahamas***

The Offering Circular has not been filed as a prospectus with the Securities Commission of The Bahamas pursuant to the Securities Industry Act, 2011 (the “**Securities Act**”) and accordingly, the Notes may be issued only in compliance with the laws or rules of the countries in which a distribution of Notes is made.

Each Dealer represents and agrees, and each further Dealer appointed under the Program shall be required to represent and agree, that it will not offer or sell the Notes, or take any other action, which would amount to the Notes being offered or sold, directly or indirectly, in or from The Bahamas.

Each Dealer has also represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that the Notes shall not be offered to any Bahamian Person. A “Bahamian Person” shall mean: (a) a national or citizen of the Commonwealth of The Bahamas or any other person designated “resident” in The Bahamas for exchange control purposes by the Central Bank of The Bahamas and (b) any corporation, partnership, estate, trust or other entity formed, organized or existing under the laws of the Commonwealth of The Bahamas which is designated “resident” in The Bahamas for exchange control purposes by the Central Bank of The Bahamas and (c) any person acting, directly or indirectly, on behalf of or in concert with any of the foregoing persons.

## ***India***

Each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that (a) this Offering Circular has not been and will not be registered, produced, or published or circulated as an offer document (whether a prospectus in respect of a public offer or information memorandum or other offering material in respect of any private placement of securities under the Companies Act, 1956, as amended, the Companies Act, 2013, as amended and the rules framed thereunder or any other applicable Indian laws) with any Registrar of Companies or the Securities and Exchange Board of India or any other statutory, governmental or regulatory body of like nature in India, and (b) the Notes have not been and will not be offered or sold in India by means of any document, other than to persons permitted to acquire the Notes under Indian law, whether as a principal or an agent, and (c) this Offering Circular or any other offering document or material relating to the Notes have not been and will not be circulated or distributed, directly or



indirectly, to any person or to the public or any member of the public in India or otherwise generally distributed or circulated in India which would constitute an advertisement, invitation, offer, sale or solicitation of and offer to subscribe for or purchase any securities in violation of applicable Indian regulations, guidelines or laws.

### ***Singapore***

Each Dealer has represented, and agreed, and each further Dealer appointed under the Program will be required to represent, and agree this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore (the “MAS”). Accordingly, each Dealer has represented, and agreed, and each further Dealer appointed under the Program will be required to represent, and agree, 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 the Offering Circular or any other document or material in connection with the offer or sale or invitation for subscription or purchase of any Notes, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore) (the “SFA”)) pursuant to Section 274 of the SFA, (b) 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 (c) 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 Section 4A of the SFA)) the sole business of which is to hold investments and the entire 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 (as defined in Section 239(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 under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

### ***The Netherlands***

Each Dealer has represented and agreed and each further Dealer appointed under the Program will be required to represent and agree, that any Notes will only be offered in The Netherlands to Qualified Investors (as defined in the EU Prospectus Directive), unless such offer is made in accordance with the Dutch Financial Supervision Act (*Wet op het financieel toezicht*).

### ***United Arab Emirates***

Each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that the Notes to be issued under the Program have not been and will not be offered, sold or publicly promoted or advertised by it in the UAE other than in compliance with any laws applicable in the UAE governing the issue, offering and sale of securities.

### ***Dubai International Financial Centre***

Each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it has not offered and will not offer the Notes to be issued under the Program to any person in the DIFC unless such offer is:

- (a) an “Exempt Offer” in accordance with the Markets Rules (MKT) module of the DFSA; and
- (b) made only to persons who meet the “Professional Client” criteria set out in Rule 2.3.3 of the DFSA Conduct of Business Module.

### ***Kingdom of Bahrain***

Each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it has not offered or sold, and will not offer or sell, any Notes, except on a private placement basis to persons in the Kingdom of Bahrain who are “accredited investors”.

For this purpose, an “**accredited investor**” means:

- (i) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more;
- (ii) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1,000,000; or
- (iii) a government, supranational organization, central bank or other national monetary authority or a state organization whose main activity is to invest in financial instruments (such as a state pension fund).

### ***State of Qatar***

Each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it has not offered, delivered or sold, and will not offer, deliver or sell, at any time directly or indirectly, any Notes in the State of Qatar (including the Qatar Financial Centre), except: (a) in compliance with all applicable laws and regulations of the State of Qatar (including the Qatar Financial Centre); and (b) through persons or corporate entities authorized and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar.

### ***Australia***

Each Dealer has acknowledged that this Offering Circular is not a “Product Disclosure Statement” (as defined in Chapter 7 of the Corporations Act 2001 (Cth) of Australia (the “**Corporations Act**”)). No “prospectus” or other “disclosure document” (each as defined in the Corporations Act) in relation to the Program or the Notes has been or will be lodged with the Australian Securities and Investments Commission (the “**ASIC**”) or ASX Limited ABN 98 008 624 691.

Each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it:

- (a) has not made or invited, and will not make or invite, (directly or indirectly) offers from any person to purchase the Notes, or applications from any person for the issue of Notes, where the relevant invitation is received in Australia (regardless of where any resulting issue, sale or transfer occurs); and
- (b) has not offered, and will not offer, (directly or indirectly) Notes for issue or sale to any person where the relevant offer is received in Australia (regardless of where any resulting issue, sale or transfer occurs),

unless:

- (i) the aggregate consideration payable for such Notes on acceptance of the offer or invitation by the person to whom the relevant offer or invitation is made, is at least A\$500,000 or its equivalent in any other currency (calculated in accordance with both section 708(9) of the Corporations Act and regulation 7.1.18 of the Corporations Regulations 2001 (Cth)) or the offer or invitation otherwise does not require disclosure in accordance with Parts 6D.2 or 7.9 of the Corporations Act;
- (ii) the offer or invitation is not made to a person who is a “retail client” within the meaning of section 761G of the Corporations Act;
- (iii) the offer or invitation complies with all other applicable Australian laws, regulations and directives; and
- (iv) such action does not require any document to be lodged with ASIC, the ASX Limited ABN 98 008 624 691 or any successor entity thereto.

For the purposes of this selling restriction, the Notes include interests or rights in the Notes held in Euroclear, Clearstream or Austraclear.

Each Dealer has also represented and agreed, and each further Dealer appointed under the Program will also be required to represent and agree, that it has not distributed or published and will not distribute or publish the Offering Circular or any other offering material or advertisement relating to the Notes in Australia unless the relevant distribution or publication, as applicable, complies with all applicable Australian laws, regulations and directives.

The Issuer does not hold an Australian financial services licence and it is not licensed to provide financial product advice in relation to the Notes. Noteholders do not have “cooling off” rights under Australian law.

### ***General***

Each Dealer has represented, warranted and undertaken, and each further Dealer appointed under the Program will be required to represent, warrant and undertake that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries, and neither the Issuer, the Trustee nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer, the Trustee, the Arrangers and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Pricing Supplement.

## SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN INDIAN GAAP AND U.S. GAAP

The audited consolidated and unconsolidated financial statements of the Bank included in this Offering Circular 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
<b><i>Changes in accounting policies</i></b>	<b><i>Changes in accounting policies</i></b>
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.
<b><i>Property, plant and equipment</i></b>	<b><i>Property, plant and equipment</i></b>
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.
<b><i>Depreciation</i></b>	<b><i>Depreciation</i></b>
The Indian Companies Act provides minimum rates of depreciation. If management's estimate of the useful life of a fixed asset is shorter than depreciation rates according to the Companies Act, depreciation is provided at a 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.
<b><i>Unrealized gains/losses on investments</i></b>	<b><i>Unrealized gains/losses on investments</i></b>
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 according to 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***

No amortization of premium/discount is allowed on investments except for the premium on investments categorized as “Held to Maturity.”

***Allowances for credit losses***

All credit exposures are classified according to the 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 is 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.

***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.

***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 transactions. 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 included in other assets or liabilities. Hedged swaps/options are accounted for on an accrual basis.

***Amortization of premium/discount on the purchase of investments***

Premium/discount is amortized on all categories of investment.

***Allowances for credit losses***

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***

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.

***Derivatives***

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 is recognized on an 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 the capital reserve account in accordance with RBI guidelines.

***Employee Benefits***

AS 15 (Revised) (mandatory with effect from December 7, 2006) requires the use of the projected unit credit method to determine benefit obligation. All actuarial gains and losses have to be recognized immediately in the 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.

***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 the 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.

***Revenue Recognition***

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***

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.

***Taxation***

Income taxes are accounted for according to 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***

According to 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).

***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.

***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.

***Employee Stock Option Plan***

According to FASB 123R — Accounting for Share Based Payments, employee stock-based compensation plans have to be accounted for using the fair value method.

***Proposed dividend***

The declaration of a cash dividend is a non-adjusting event. Dividends are recorded when they are declared by the shareholders.

***Accounting for subsidiaries and affiliates***

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)).

## TRANSFER AND MARKETING RESTRICTIONS

### Transfer Restrictions applicable to all Notes

*As a result of the following restrictions, purchasers of Notes in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Notes.*

In the case of Notes offered or sold in reliance on Category 1 of Regulation S, each purchaser of Registered Notes will be deemed to have represented and agreed as follows:

- (i) It acknowledges (or if it is broker-dealer, its customer has confirmed to it that such customer acknowledges) that such Notes have not been and will not be registered under the Securities Act.
- (ii) It certifies that either (a) it is, or at the time the Notes are purchased will be, the beneficial owner of the Notes, and (i) it is located outside the United States (within the meaning of Regulation S) and (ii) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate, or (b) it is a broker-dealer acting on behalf of its customer, its customer has confirmed to it that (i) such customer is, or at the time the Notes are purchased will be, the beneficial owner of the Notes, (ii) such customer is located outside the United States (within the meaning of Regulation S) and (iii) it is not an affiliate of the Dealers or a person acting on behalf of such an affiliate.
- (iii) It acknowledges that the Issuer and the Dealers and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that, if any of such acknowledgements, representations or warranties deemed to have been made by virtue of its purchase of the Notes are no longer accurate, it will promptly notify the Issuer, and if it is acquiring any Notes as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

In the case of Notes offered or sold in reliance on Category 2 of Regulation S, Rule 144A or Regulation D, each purchaser of Registered Notes (other than a person purchasing an interest in a Registered Global Note with a view to holding it in the form of an interest in the same Global Note) or person wishing to transfer an interest from one Registered Global Note to another or from global to definitive form or vice versa will be required to acknowledge, represent and agree as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

- (i) that either: (a) it is a QIB, purchasing (or holding) the Notes for its own account or for the account of one or more QIBs and it is aware that any sale to it is being made in reliance on Rule 144A or (b) it is an Institutional Accredited Investor which has delivered an IAI Investment Letter or (c) it is outside the United States and is not a U.S. person;
- (ii) that the Notes are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Notes have not been and will not be registered under the Securities Act or any other applicable U.S. State securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

- (iii) that, unless it holds an interest in a Regulation S Global Note and is a person located outside the United States who is not a U.S. person, if in the future it decides to resell, pledge or otherwise transfer the Notes or any beneficial interests in the Notes, it will do so, prior to the expiration of the applicable required holding period determined pursuant to Rule 144 of the Securities Act from the later of the last Issue Date for the Series and the last date on which the Issuer or an affiliate of the Issuer was the owner of such Notes, only (a) to the Issuer or any affiliate thereof, (b) inside the United States to a person whom the seller reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (c) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act, (d) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available), (e) to an institutional “accredited investor” within the meaning of subparagraph (a)(1), (2), (3) or (7) of Rule 501 under the Securities Act that is acquiring the Notes for its own account or for the account of such an institutional “accredited investor” for investment purposes and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act or (f) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. State securities laws. If any resale or other transfer of the Notes is proposed to be made pursuant to clause (e) above, the transferor shall deliver (i) an IAI Investment Letter to the Registrar, which shall provide, among other things, that the transferee is an institutional “accredited investor” within the meaning of subparagraph (a)(1), (2), (3) or (7) of Rule 501 under the Securities Act, that it is acquiring such Notes for investment purposes and not for distribution in violation of the Securities Act, and that it will acquire Notes having a minimum purchase price of at least U.S.\$500,000 (or the approximate equivalent in another specified currency (as defined in the Agency Agreement)); and (ii) such other satisfactory evidence as the Issuer may reasonably require from the transferor, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States, and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction;
- (iv) it will, and will require each subsequent holder to, notify any purchaser or transferee, as applicable, of the Notes from it of the resale restrictions referred to in paragraph (iii) above, if then applicable;
- (v) that Notes initially offered in the United States to QIBs will be represented by one or more Rule 144A Global Notes, that Notes offered to Institutional Accredited Investors will be in the form of Definitive IAI Registered Notes and that Notes offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Notes;
- (vi) that the Notes, other than the Regulation S Global Notes, will bear a legend to the following effect unless otherwise agreed to by the Issuer:

“THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, (I) MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR (II) IN THE CASE OF SECURITY ISSUED IN RELIANCE ON CATEGORY 2 OF REGULATION S UNDER THE SECURITIES ACT, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES AND TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS, IN EITHER CASE EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (A) REPRESENTS THAT (1) IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS OR (2) IT IS AN INSTITUTIONAL “ACCREDITED INVESTOR” (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT) (AN “**INSTITUTIONAL ACCREDITED INVESTOR**”); (B)

AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND, PRIOR TO THE EXPIRATION OF THE APPLICABLE REQUIRED HOLDING PERIOD DETERMINED PURSUANT TO RULE 144 OF THE SECURITIES ACT FROM THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), (5) TO AN INSTITUTIONAL ACCREDITED INVESTOR WITHIN THE MEANING OF SUBPARAGRAPH (A)(1), (2), (3) OR (7) OF RULE 501 UNDER THE SECURITIES ACT THAT IS ACQUIRING THE NOTES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL ACCREDITED INVESTOR FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION THEREOF IN VIOLATION OF THE SECURITIES ACT OR (6) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; IF ANY RESALE OR OTHER TRANSFER OF THE NOTES IS PROPOSED TO BE MADE PURSUANT TO CLAUSE (5) ABOVE, THE TRANSFEROR SHALL DELIVER A LETTER SUBSTANTIALLY IN THE FORM SET OUT IN SCHEDULE 4 TO THE AGENCY AGREEMENT TO THE REGISTRAR, WHICH SHALL PROVIDE, AMONG OTHER THINGS, THAT THE TRANSFEREE IS AN INSTITUTIONAL ACCREDITED INVESTOR WITHIN THE MEANING OF SUBPARAGRAPH (A)(1), (2), (3) OR (7) OF RULE 501 UNDER THE SECURITIES ACT, THAT IT IS ACQUIRING SUCH NOTES FOR INVESTMENT PURPOSES AND NOT FOR DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, AND THAT IT WILL ACQUIRE NOTES HAVING A MINIMUM PURCHASE PRICE OF AT LEAST U.S.\$500,000 (OR THE APPROXIMATE EQUIVALENT IN ANOTHER SPECIFIED CURRENCY (AS DEFINED IN THE AGENCY AGREEMENT)) AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

“THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO REALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).”;

- (vii) if it is outside the United States, that if it should resell or otherwise transfer the Notes, it will do so only (i) outside the United States in compliance with Rule 903 or 904 under the Securities Act or (ii) upon receipt by the Registrar of a written certification substantially in the form set out in Schedule 3 to the Agency Agreement, amended as appropriate (a “**Transfer Certificate**”), copies of which are available from the specified office of the Registrar or any Transfer Agent, from the transferor of the Note or beneficial interest therein to the effect that such transfer is being made: (a) to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or (b) to a person who is an Institutional Accredited Investor, together with, in the case of (b), a duly executed investment letter from the relevant transferee substantially in the form set out in Schedule 4 to the Agency Agreement and such other satisfactory evidence as the Issuer may reasonably require from the transferor, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States; (iii) to the Issuer or any affiliate thereof; or (if available) (iv) otherwise pursuant to an effective registration statement under the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States, and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction; and it acknowledges that the Regulation S Global Notes will bear a legend to the following effect unless otherwise agreed to by the Issuer:

“THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, (I) MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR (II) IN THE CASE OF SECURITY ISSUED IN RELIANCE ON CATEGORY 2 OF REGULATION S UNDER THE SECURITIES ACT, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES AND TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS, IN EITHER CASE EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. IN THE CASE OF SECURITY ISSUED IN RELIANCE ON CATEGORY 2 OF REGULATION S UNDER THE SECURITIES ACT, THIS LEGEND SHALL CEASE TO APPLY UPON THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE NOTES OF THE TRANCHE OF WHICH THIS NOTE FORMS PART.”; and

- (viii) that the Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer; and if it is acquiring any Notes as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Institutional Accredited Investors who purchase Registered Notes in definitive form offered and sold in the United States in reliance upon the exemption from registration provided by Regulation D of the Securities Act are required to execute and deliver to the Registrar an IAI Investment Letter. Upon execution and delivery of an IAI Investment Letter by an Institutional Accredited Investor, Notes will be issued in definitive registered form, see “*Form of the Notes*”.



The IAI Investment Letter will state, among other things, the following:

- (i) that the Institutional Accredited Investor has received a copy of the Offering Circular and such other information as it deems necessary in order to make its investment decision;
- (ii) that the Institutional Accredited Investor understands that any subsequent transfer of the Notes is subject to certain restrictions and conditions set forth in the Offering Circular and the Notes (including those set out above), and that it agrees to be bound by, and not to resell, pledge or otherwise transfer the Notes except in compliance with such restrictions and conditions and the Securities Act;
- (iii) that, in the normal course of its business, the Institutional Accredited Investor invests in or purchases securities similar to the Notes;
- (iv) that the Institutional Accredited Investor is an Institutional Accredited Investor within the meaning of Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Notes, and it and any accounts for which it is acting are each able to bear the economic risk of its or any such accounts' investment for an indefinite period of time;
- (v) that the Institutional Accredited Investor is acquiring the Notes purchased by it for its own account or for one or more accounts (each of which is an Institutional Accredited Investor) as to each of which it exercises sole investment discretion and not with a view to any distribution of the Notes, subject, nevertheless, to the understanding that the disposition of its property shall at all times be and remain within its control; and
- (vi) that, in the event that the Institutional Accredited Investor purchases Notes, it will acquire Notes having a minimum purchase price of at least U.S.\$500,000 (or the approximate equivalent in another Specified Currency).

No sale of Legended Notes in the United States to any one purchaser will be for less than U.S.\$200,000 (or its foreign currency equivalent) nominal amount or, in the case of sales to Institutional Accredited Investors, U.S.\$500,000 (or its foreign currency equivalent) nominal amount, and no Legended Note will be issued in connection with such a sale in a smaller nominal amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.\$200,000 (or its foreign currency equivalent) or, in the case of sales to Institutional Accredited Investors, U.S.\$500,000 (or its foreign currency equivalent) nominal amount of Registered Notes.

***Marketing and Sales Restrictions applicable to Additional Tier 1 Notes***

Any Additional Tier 1 Notes discussed in this Offering Circular are complex financial instruments and are not a suitable or appropriate investment for all investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Additional Tier 1 Notes to retail investors.

In particular, in June 2015, the FCA published the PI Instrument.

Under the PI Rules:

- i. certain contingent write-down or convertible securities (including any beneficial interests therein), such as the Additional Tier 1 Notes, must not be sold to retail clients in the EEA; and
- ii. there must not be any communication or approval of an invitation or inducement to participate in, acquire or underwrite such securities (or the beneficial interest in such securities) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the EEA (in each case, within the meaning of the PI Rules), other than in accordance with the limited exemptions set out in the PI Rules.

The Dealers are required to comply with the PI Rules. By purchasing, or making or accepting an offer to purchase, any Additional Tier 1 Notes (or a beneficial interest in such Additional Tier 1 Notes) from the Bank and/or the Dealers, each prospective investor represents, warrants, agrees with and undertakes to the Bank and each of the Dealers that:

1. it is not a retail client in the EEA (as defined in the PI Rules);
2. whether or not it is subject to the PI Rules, it will not:
  - (A) sell or offer Additional Tier 1 Notes (or any beneficial interest therein) to retail clients in the EEA; or
  - (B) communicate (including the distribution of the Offering Circular) or approve an invitation or inducement to participate in, acquire or underwrite Additional Tier 1 Notes (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the EEA (in each case within the meaning of the PI Rules),

in any such case other than (i) in relation to any sale or offer to sell Additional Tier 1 Notes (or any beneficial interests therein) to a retail client in or resident in the United Kingdom, in circumstances that do not and will not give rise to a contravention of the PI Rules by any person and/or (ii) in relation to any sale or offer to sell Additional Tier 1 Notes (or any beneficial interests therein) to a retail client in any EEA member state other than the United Kingdom, where (a) it has conducted an assessment and concluded that the relevant retail client understands the risks of an investment in the Additional Tier 1 Notes (or such beneficial interests therein) and is able to bear the potential losses involved in an investment in the Additional Tier 1 Notes (or such beneficial interests therein) and (b) it has at all times acted in relation to such sale or offer in compliance with the MiFID to the extent it applies to it or, to the extent MiFID does not apply to it, in a manner which would be in compliance with MiFID if it were to apply to it; and

3. it will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA) relating to the promotion, offering, distribution and/or sale of the Additional Tier 1 Notes (or any beneficial interests therein), including (without limitation) any such laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Additional Tier 1 Notes (or any beneficial interests therein) by investors in any relevant jurisdiction.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Additional Tier 1 Notes (or any beneficial interests therein) from the Bank and/or the Dealers, the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

## GENERAL INFORMATION

### Authorization

1. The establishment of the Program and the issue of Notes have been duly authorized by a resolution of the Executive Committee of the Central Board of the Issuer dated October 21, 2004. The increase of the size of the Program from U.S.\$1,000,000,000 to U.S.\$2,000,000,000 and the issue of Notes thereunder have been duly authorized by a resolution of the Executive Committee of the Central Board of the Issuer dated August 4, 2005. The Executive Committee of the Central Board of the Issuer by its resolution dated October 10, 2006 has authorized the issue of the Notes, including the Additional Tier 1 Notes and Tier 2 Notes. Subsequently, the increase of the size of the Program from U.S.\$2,000,000,000 to U.S.\$5,000,000,000 and the issue of Notes thereunder have been duly authorized by a resolution of the Executive Committee of the Central Board of the Issuer dated January 29, 2007. The size of the Program was further increased from U.S.\$5,000,000,000 to U.S.\$10,000,000,000 and the issue of the Notes thereunder have been duly authorized by a resolution of the Executive Committee of the Central Board of the Issuer dated December 24, 2010.
2.
  - (a) Currently the issuance of Notes by the Issuer acting through its Hong Kong Branch, London Branch, Nassau Branch, Sydney Branch or any of its other branches outside of India for borrowings in foreign currency for the purpose of funding its foreign offices in the normal course of banking business outside India does not require any approval from the RBI and/or the Ministry of Finance. The Issuer is, however, required to: (i) file the Offering Circular with the RBI prior to the issue of the Notes, (ii) comply with reporting requirements specified under the guidelines issued by the RBI (by its circular DBS No. FBC.BC.34/13.12.001/1999/2000 dated April 6, 2000, its circular No. DBOD No. BP.BC.89/21.04.141/2008-09 dated December 1 2008, and its circular No. DBOD.No.BP.BC.111/21.04.157/2013-14 dated May 12, 2014) and (iii) report as part of the overseas liabilities and DSBO Returns I and II with respect to operation of overseas branches of Indian banks, as amended, modified or supplemented from time to time.
  - (b) The issuance of Tier 2 Subordinated Notes for the purpose of raising indebtedness classified as Tier 2 subordinated indebtedness and the issuance of Additional Tier 1 Notes for inclusion as Tier 1 capital by the RBI to meet capital adequacy norms of the Issuer will require prior approval of the RBI if it is not in compliance with the conditions stipulated in the RBI guidelines. Additional reporting requirements may also be imposed by the RBI either before or after the issue.

### Listing

3. Approval-in-principle has been granted for the listing and quotation of Notes that may be issued pursuant to the Program and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List.

Admission to the Official List and any quotation of any Notes on the SGX-ST are not to be taken as an indication of the merits of the Issuer, the Program or the Notes. For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a Paying Agent in Singapore, where such Notes may be presented or surrendered for payment or redemption, in the event that any of the Global Notes representing such Notes is exchanged for definitive Notes. In addition, in the event that any of the Global Notes is exchanged for definitive Notes, for so long as such Notes are listed on the SGX-ST, an announcement of such exchange will be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the Paying Agent in Singapore.

## **Clearing systems**

4. The Bearer Notes to be issued under the Program have been accepted for clearance through Euroclear and Clearstream. The appropriate common code and ISIN for each Tranche of Bearer Notes allocated by Euroclear and Clearstream will be specified in the applicable Pricing Supplement. In addition, the Issuer may make an application for any Registered Notes to be accepted for trading in book-entry form by DTC. The CUSIP and/or CINS numbers for each Tranche of Registered Notes, together with the relevant ISIN and common code, will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system, the appropriate information will be specified in the applicable Pricing Supplement.

## **No significant change**

5. Save as disclosed in this Offering Circular, there has been no material adverse change in the financial position or prospects of the Bank and the Bank and its subsidiaries taken as a whole since June 30, 2017.

## **Litigation**

6. The Bank and/or the Group is not involved in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Bank is aware) which may have or have had in the 12 months preceding the date of this document a significant effect on the financial position of the Bank and/or the Group.

## **Accounts**

7. The Auditors (as defined in the Trust Deed) of the Issuer have audited the Issuer's unconsolidated accounts and the Group's consolidated accounts, in each case as of and for the years ended March 31, 2017, 2016 and 2015. The Auditors of the Issuer have reviewed the Issuer's unconsolidated accounts as of and for the three months ended June 30, 2017.
8. The Trust Deed provides that the Trustee may rely on certificates or reports from the Auditors or any other person in accordance with the provisions of the Trust Deed as sufficient evidence of the facts stated therein whether or not called for by or addressed to the Trustee and whether or not any such certificate or report or engagement letter or other document entered into by the Trustee and the Auditors or such other person in connection therewith contains a monetary or other limit on the liability of the Auditors or such other person. However, the Trustee will have no recourse to the Auditors or such other person in respect of such certificates or reports unless the Auditors or such other person have agreed to address such certificates or reports to the Trustee.

## **Documents**

9. So long as Notes are capable of being issued under the Program, copies of the following documents will, when published and/or entered into, be available from the corporate office of the Issuer, the specified office of the Australian Agent and from the specified office of the Principal Paying Agent in London:
  - (a) the audited financial statements of each of the Bank and the Group in respect of fiscal years 2017, 2016 and 2015;
  - (b) the most recently published audited annual financial statements of the Bank and the most recently published audited or reviewed, as the case may be, interim financial results of the Bank (the Bank currently prepares unaudited unconsolidated limited review of interim results on a quarterly basis under Indian regulatory requirements);

- (c) the Program Agreement, the Trust Deed, the Agency Agreement, the Australian Agency Agreement and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;
- (d) a copy of this Offering Circular; and
- (e) any future offering circulars, prospectuses, information memoranda and supplements including Pricing Supplements (save that a Pricing Supplement relating to an unlisted Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity) to this Offering Circular and any other documents incorporated herein or therein by reference.

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**REPORT OF THE AUDITORS ON THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED JUNE 30, 2017**

**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 ENDED JUNE 30, 2017**

1. We have reviewed the accompanying statement of unaudited standalone financial results ('the Statement') of State Bank of India ('the Bank') for the quarter ended June 30, 2017, attached herewith, prepared 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 June 30, 2017 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 not 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.
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, 53 foreign branches out of which 30 reviewed by the Local Auditors of the foreign Branches and 23 certified by respective branch managers and unreviewed returns in respect of 24,006 branches. The financial results also incorporate the relevant returns of Central Accounts Offices and Global Market Unit. 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 1,228 branches and 20 Internal Concurrent Auditors. These review reports cover 58.17% of the advances portfolio of the bank and 90.30% of the non-performing assets of the bank. Apart from these review reports, in the conduct of our review, we have also relied upon various returns received from the unreviewed branches of the bank.
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 Note No.8c of Standalone financial results regarding evaluation, reconciliation and migration audit remaining to be done consequent to merger of domestic banking subsidiaries and Bharatiya Mahila Bank Ltd.

Our conclusion is not qualified in respect of the above stated matter.

<b>For Varma &amp; Varma</b> Chartered Accountants  Cherian K Baby Partner : M.No.016043 Firm Regn. No. 004532 S	<b>For V Sankar Aiyar &amp; Co.</b> Chartered Accountants  G Sankar Partner : M No.046050 Firm Regn. No.109208 W	<b>For S N Mukherji &amp; Co.</b> Chartered Accountants  Sudip K Mukherji Partner : M No.013321 Firm Regn. No. 301079 E
<b>For B Chhawchharia &amp; Co.</b> Chartered Accountants  Kshitiz Chhawchharia Partner : M.No.061087 Firm Regn. No. 305123 E	<b>For Manubhai &amp; Shah LLP</b> Chartered Accountants  Hitesh M. Pomal Partner: M.No.106137 FirmRegn.No.106041W/W100136	<b>For M Bhaskara Rao &amp; Co.</b> Chartered Accountants  C S Subrahmanyam Partner : M.No.027951 Firm Regn. No.000459 S
<b>For GSA &amp; Associates</b> Chartered Accountants  Sunil Aggarwal Partner : M No.083899 Firm Regn. No. 000257 N	<b>For Chatterjee &amp; Co.</b> Chartered Accountants  R N Basu Partner : M No.050430 Firm Regn. No.302114 E	<b>For Bansal &amp; Co.</b> Chartered Accountants  Dr. D S Rawat Partner : M.No.083030 Firm Regn. No. 001113 N
<b>For Amit Ray &amp; Co.</b> Chartered Accountants  Basudeb Banerjee Partner : M No.070468 Firm Regn. No. 000483 C	<b>For S L Chhajed &amp; Co.</b> Chartered Accountants  Abhay Chhajed Partner : M No.079662 Firm Regn. No.000709 C	<b>For Mittal Gupta &amp; Co.</b> Chartered Accountants  Akshay Kumar Gupta Partner: M.No. 070744 Firm Regn. No. 001874 C
<b>For Rao &amp; Kumar.</b> Chartered Accountants  K. Ch. S. Guru Prasad Partner : M.No.215652 Firm Regn. No. 003089 S	<b>For Brahmayya &amp; Co</b> Chartered Accountants  K. Jitendra Kumar Partner : M No.201825 Firm Regn. No.000511 S	

Place : Mumbai

Date : August 11, 2017

**REPORT OF THE AUDITORS ON THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR  
THE YEAR ENDED MARCH 31, 2017**

**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 B. CHHAWCHHARIA & CO.**  
Chartered Accountants

**S. K. CHHAWCHHARIA**  
Partner: M.No. 008482  
Firm Regn. No. 305123 E

**For GSA & ASSOCIATES**  
Chartered Accountants

**SUNIL AGGARWAL**  
Partner : M No.083899  
Firm Regn. No. 000257 N

**For AMIT RAY & CO.**  
Chartered Accountants

**BASUDEB BANERJEE**  
Partner : M No.070468  
Firm Regn. No. 000483 C

**For RAO & KUMAR**  
Chartered Accountants

**K. PARVATHI KUMAR**  
Partner : M.No.11684  
Firm Regn. No. 003089 S

**For V. SANKAR AIYAR & CO.**  
Chartered Accountants

**G SANKAR**  
Partner : M No.046050  
Firm Regn. No.109208 W

**For MANUBHAI & SHAH LLP**  
Chartered Accountants

**HITESH M. POMAL**  
Partner: M.No.106137  
Firm Regn. No.106041W/W100136

**For CHATTERJEE & CO.**  
Chartered Accountants

**R. N. BASU**  
Partner : M No.050430  
Firm Regn. No.302114 E

**For S L CHHAJED & CO.**  
Chartered Accountants

**S.N.SHARMA**  
Partner : M No. 071224  
Firm Regn. No.000709 C

**For BRAHMAYYA & CO.**  
Chartered Accountants

**N. SRI KRISHNA**  
Partner : M No. 026575  
Firm Regn. No.000511 S

**For S. N. MUKHERJI & CO.**  
Chartered Accountants

**SUDIP K. MUKHERJI**  
Partner : M No.013321  
Firm Regn. No. 301079 E

**For M. BHASKARA RAO & CO.**  
Chartered Accountants

**M. V. RAMANA MURTHY**  
Partner : M.No.206439  
Firm Regn. No.000459 S

**For BANSAL & CO.**  
Chartered Accountants

**SURINDER K. BANSAL**  
Partner : M.No. 014301  
Firm Regn. No. 001113 N

**For MITTAL GUPTA & CO.**  
Chartered Accountants

**AKSHAY KUMAR GUPTA**  
Partner: M.No. 070744  
Firm Regn. No. 001874 C

Place : Kolkata

Date : May 19, 2017

**REPORT OF THE AUDITORS ON THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016**

**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 Chhajer & 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

**REPORT OF THE AUDITORS ON THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2015**

**INDEPENDENT AUDITOR'S 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 31st March 2015, which comprises the Balance Sheet as at March 31, 2015, 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) **8928** Indian Branches audited by other auditors;
  - iii) **52** 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 **8144** Indian Branches (including other accounting units) which have not been subjected to audit. These unaudited branches account for **4.19%** of advances, **17.54%** of deposits, **5.30%** of interest income and **16.26%** 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 2015 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 Schedule 18: "Notes to Accounts" regarding:
  - i) Notes 18.7 — para a: change in method/rate of depreciation on Fixed Assets resulting in an increase in profit by Rs. 4,207.6 million.
  - ii) Notes 18.7 — para b(i)(1c): change in valuation of Plan Assets of long-term benefits from Book Value to Fair Value, resulting in increase in the value of Plan Assets by Rs. 21,828.7 million.
  - iii) Notes 18.8 — para 21: non-amortization of Rs. 21,794.2 million on account of loss on sale of assets to Reconstruction Companies.
  - iv) Notes 18.8 — para 22: utilization of Counter Cyclical Buffer of Rs. 3,820 million during the year.

Our opinion is not qualified 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 that 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:
- 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.
  - The transactions of the Bank, which have come to our notice, have been within the powers of the Bank.
  - 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 S Venkatram & Co.**  
Chartered Accountants

**G Narayanaswamy**  
Partner : M.No. 002161  
Firm Regn. No. 004656 S

**For V P Aditya & Co.**  
Chartered Accountants

**Surendra Kakkar**  
Partner : M No.071912  
Firm Regn. No.000542 C

**For Prakash & Santosh**  
Chartered Accountants

**G K Mishra**  
Partner : M No.074586  
Firm Regn. No. 000454 C

**For Mehra Goel & Co.**  
Chartered Accountants

**R K Mehra**  
Partner: M.No.006102  
Firm Regn. No. 000517 N

**For S N Mukherji & Co.**  
Chartered Accountants

**Sudip Kumar Mukherji**  
Partner : M No.013321  
Firm Regn. No. 301079 E

**For S N Nanda & Co.**  
Chartered Accountants

**Gaurav Nanda**  
Partner : M.No. 500417  
Firm Regn. No. 000685 N

**For Sriramamurthy & Co.**  
Chartered Accountants

**J Lalitha**  
Partner : M.No.201855  
Firm Regn. No.003032 S

**For Dhamija Sukhija & Co.**  
Chartered Accountants

**Prabhat Sukhija**  
Partner: M.No.514761  
Firm Regn. No. 000369 N

**For SRRK Sharma Associates**  
Chartered Accountants

**G S Krishnamurthy**  
Partner : M No.013841  
Firm Regn. No. 003790 S

**For B Chhawchharia & Co.**  
Chartered Accountants

**Kshitiz Chhawchharia**  
Partner : M No. 061087  
Firm Regn. No. 305123 E

**For S Jaykishan**  
Chartered Accountants

**Sunirmal Chatterjee**  
Partner : M.No. 017361  
Firm Regn. No.309005 E

**For T R Chadha & Co.**  
Chartered Accountants

**Vikas Kumar**  
Partner : M.No. 075363  
Firm Regn. No.006711 N

**For K B Sharma & Co.**  
Chartered Accountants

**Hemant Sharma**  
Partner : M No.503080  
Firm Regn. No. 002318 N

**For V Sankar Aiyar & Co.**  
Chartered Accountants

**S Venkatraman**  
Partner : M No. 034319  
Firm Regn. No. 109208 W

Place : Kolkata  
Date : 22nd May 2015

**BALANCE SHEET OF THE STATE BANK OF INDIA AS ON JUNE 30, 2017**

(000's omitted)

**CAPITAL AND LIABILITIES****As on 30.06.2017**

	<b>Rs.</b>
Capital . . . . .	8,632,050
Reserves & Surplus . . . . .	2,281,615,657
Deposits . . . . .	26,025,341,579
Borrowings . . . . .	2,361,007,286
Other Liabilities and Provisions . . . . .	1,258,965,952
<b>Total . . . . .</b>	<b>31,935,562,524</b>

**ASSETS****As on 30.06.2017**

Cash and balances with Reserve Bank of India . . . . .	1,373,838,824
Balances with banks and money at call & short notice . . . . .	878,720,418
Investments . . . . .	9,521,284,307
Advances . . . . .	18,042,189,280
Fixed Assets . . . . .	501,073,621
Other Assets . . . . .	1,618,456,074
<b>Total . . . . .</b>	<b>31,935,562,524</b>



**STATE BANK OF INDIA**  
**BALANCE SHEET AS ON MARCH 31, 2017**

		(000s omitted)	
<b>CAPITAL AND LIABILITIES</b>	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
<b>TOTAL . . . . .</b>		<b><u>27,059,663,041</u></b>	<b><u>23,576,175,391</u></b>
<b>ASSETS . . . . .</b>			
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
<b>TOTAL . . . . .</b>		<b>27,059,663,041</b>	<b>23,576,175,391</b>
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

<b>Signed by:</b>	Shri Dinesh Kumar Khara Managing Director (Associates & Subsidiaries)	Shri P. K. Gupta Managing Director (Compliance & Risk)	Shri Rajnish Kumar Managing Director (National Banking Group)	Shri B. Sriram Managing Director (Corporate Banking Group)
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**Directors:**

Shri Sanjiv Malhotra  
Shri M.D. Mallya  
Shri Deepak I. Amin  
Dr. Pushendra Rai  
Dr. Girish Kumar Ahuja  
Ms. Anjuly Chib Duggal  
Shri Chandan Sinha

**Smt. Arundhati Bhattacharya**  
Chairman

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 B. CHHAWCHHARIA & CO.**  
Chartered Accountants

**S. K. CHHAWCHHARIA**  
Partner: M.No. 008482  
Firm Regn. No. 305123 E

**For GSA & ASSOCIATES**  
Chartered Accountants

**SUNIL AGGARWAL**  
Partner : M No.083899  
Firm Regn. No. 000257 N

**For AMIT RAY & CO.**  
Chartered Accountants

**BASUDEB BANERJEE**  
Partner : M No.070468  
Firm Regn. No. 000483 C

**For RAO & KUMAR**  
Chartered Accountants

**K. PARVATHI KUMAR**  
Partner : M.No.11684  
Firm Regn. No. 003089 S

**For V. SANKAR AIYAR & CO.**  
Chartered Accountants

**G SANKAR**  
Partner : M No.046050  
Firm Regn. No.109208 W

**For MANUBHAI & SHAH LLP**  
Chartered Accountants

**HITESH M. POMAL**  
Partner: M.No.106137  
Firm Regn. No.106041W/W100136

**For CHATTERJEE & CO.**  
Chartered Accountants

**R. N. BASU**  
Partner : M No.050430  
Firm Regn. No.302114 E

**For S L CHHAJED & CO.**  
Chartered Accountants

**S.N.SHARMA**  
Partner : M No. 071224  
Firm Regn. No.000709 C

**For BRAHMAYYA & CO.**  
Chartered Accountants

**N. SRI KRISHNA**  
Partner : M No. 026575  
Firm Regn. No.000511 S

**For S. N. MUKHERJI & CO.**  
Chartered Accountants

**SUDIP K. MUKHERJI**  
Partner : M No.013321  
Firm Regn. No. 301079 E

**For M. BHASKARA RAO & CO.**  
Chartered Accountants

**M. V. RAMANA MURTHY**  
Partner : M.No.206439  
Firm Regn. No.000459 S

**For BANSAL & CO.**  
Chartered Accountants

**SURINDER K. BANSAL**  
Partner : M.No. 014301  
Firm Regn. No. 001113 N

**For MITTAL GUPTA & CO.**  
Chartered Accountants

**AKSHAY KUMAR GUPTA**  
Partner: M.No. 070744  
Firm Regn. No. 001874 C

Place : Kolkata

Date : May 19, 2017

**(UNCONSOLIDATED) BALANCE SHEET OF STATE BANK OF INDIA  
AS ON MARCH 31, 2016 AND 2015**

(000s omitted)

<b>CAPITAL AND LIABILITIES</b>	<b>Schedule No.</b>	<b>As on March 31, 2016</b>	<b>As on March 31, 2015</b>
		<b>Rs.</b>	<b>Rs.</b>
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
<b>TOTAL . . . . .</b>		<b><u>22,590,630,328</u></b>	<b><u>20,480,797,998</u></b>
<b>ASSETS</b>	<b>Schedule No.</b>	<b>As on March 31, 2016</b>	<b>As on March 31, 2015</b>
		<b>Rs.</b>	<b>Rs.</b>
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
<b>TOTAL . . . . .</b>		<b><u>22,590,630,328</u></b>	<b><u>20,480,797,998</u></b>
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		

**PROFIT AND LOSS ACCOUNT OF STATE BANK OF INDIA  
FOR THE QUARTER ENDED ON JUNE 30, 2017**

	(000's omitted) Quarter ended on 30.06.2017
	₹
<b>I. INCOME</b>	
Interest earned (Schedule 13) .....	549,054,161
Other Income (Schedule 14) .....	80,056,629
<b>Total</b> .....	<b><u>629,110,790</u></b>
<b>II. EXPENDITURE</b>	
Interest expended (Schedule 15) .....	372,994,129
Operating expenses (Schedule 16) .....	137,376,075
Provisions and contingencies .....	98,685,326
<b>Total</b> .....	<b><u>609,055,530</u></b>
<b>III. PROFIT</b>	
Net Profit .....	<u>20,055,260</u>
Basic Earnings per Share .....	₹9.79
Diluted Earnings per share .....	₹9.79

**Schedules referred to above form an integral part of the Profit & Loss Account**

	(000's omitted) Quarter ended on 30.06.2017
	₹
<b>Interest earned (Schedule 13)</b>	
<b>I. Interest/discount on advances/bills</b> .....	361,416,875
<b>II. Income on investments</b> .....	165,977,080
<b>III. Interest on balances with Reserve Bank of India and other inter-bank funds</b> .....	9,457,865
<b>IV. Others</b> .....	<u>12,202,341</u>
<b>Total</b> .....	<b><u>549,054,161</u></b>
<b>Other Income (Schedule 14)</b>	
<b>I. Commission, exchange and brokerage</b> .....	44,580,174
<b>II. Profit / (Loss) on sale of investments (Net)</b> .....	28,907,371
<b>III. Profit/ (Loss) on revaluation of investments (Net)</b> .....	(11,206,102)
<b>IV. Profit / (Loss) on sale of land, buildings and other assets (Net)</b> .....	(27,455)
<b>V. Profit / (Loss) on exchange transactions (Net)</b> .....	6,666,974
<b>VI. Income earned by way of dividends, etc., from subsidiaries/companies and/or joint ventures abroad/ in India</b> .....	232,716
<b>VII. Income from financial lease</b> .....	—
<b>VIII. Miscellaneous Income<sup>1</sup></b> .....	<u>10,902,951</u>
<b>Total</b> .....	<b><u>80,056,629</u></b>

<sup>1</sup> Miscellaneous Income includes Recoveries made in write-off accounts ₹ 711,88,35 thousand (Previous year ₹ 525,64,80 thousand)

<b>Interest expended (Schedule 15)</b>	(000's omitted) Quarter ended on 30.06.2017
	₹
I. Interest on deposits . . . . .	349,899,153
II. Interest on Reserve Bank of India/ Inter-bank borrowings . . . . .	10,184,665
III. Others . . . . .	12,910,311
<b>Total.</b> . . . . .	<b><u>372,994,129</u></b>

<b>Operating expenses (Schedule 16)</b>	(000's omitted) Quarter ended on 30.06.2017
	₹
I. Payments to and provisions for employees . . . . .	77,244,819
II. Rent, taxes and lighting . . . . .	11,977,056
III. Printing and stationery . . . . .	1,017,631
IV. Advertisement and publicity . . . . .	631,410
V. a. Depreciation on Bank's Property (other than Leased Assets) . . . . .	7,784,330
b. Depreciation on Leased Assets . . . . .	—
VI. Directors' fees, allowances and expenses . . . . .	1,394
VII. Auditors' fees and expenses (including branch auditors' fees and expenses)	571,691
VIII. Law charges . . . . .	424,459
IX. Postages, telegrams, telephones, etc. . . . .	1,607,849
X. Repairs and maintenance . . . . .	1,817,185
XI. Insurance . . . . .	7,317,983
XII. Other expenditure . . . . .	26,980,268
<b>Total.</b> . . . . .	<b><u>137,376,075</u></b>

**STATE BANK OF INDIA**  
**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2017**

	Schedule No.	Year ended 31.03.2017 (Current Year)	(000s omitted) Year ended 31.03.2016 (Previous Year)
		₹	₹
<b>I. INCOME</b>			
Interest earned . . . . .	13	1,755,182,404	1,639,982,975
Other Income . . . . .	14	354,609,275	278,453,687
<b>TOTAL . . . . .</b>		<b><u>2,109,791,679</u></b>	<b><u>1,918,436,662</u></b>
<b>II. EXPENDITURE</b>			
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
<b>TOTAL . . . . .</b>		<b><u>2,004,950,653</u></b>	<b><u>1,818,930,125</u></b>
<b>III. PROFIT</b>			
Net Profit for the year . . . . .		104,841,026	99,506,537
Profit brought forward . . . . .		3,168	3,248
<b>TOTAL . . . . .</b>		<b><u>104,844,194</u></b>	<b><u>99,509,785</u></b>
<b>IV. APPROPRIATIONS</b>			
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
<b>TOTAL . . . . .</b>		<b><u>104,844,194</u></b>	<b><u>99,509,785</u></b>
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.

<b>Signed by: Shri Dinesh Kumar Khara</b> Managing Director (Associates & Subsidiaries)	<b>Shri P. K. Gupta</b> Managing Director (Compliance & Risk)	<b>Shri Rajnish Kumar</b> Managing Director (National Banking Group)	<b>Shri B. Sriram</b> Managing Director (Corporate Banking Group)
---	---	--	---

**Directors:**

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 Ms. Anjuly Chib Duggal  
 Shri Chandan Sinha

**Smt. Arundhati Bhattacharya**  
 Chairman



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

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Firm Regn. No. 001113 N

**For MITTAL GUPTA & CO.**  
Chartered Accountants

**AKSHAY KUMAR GUPTA**  
Partner: M.No. 070744  
Firm Regn. No. 001874 C

Place : Kolkata

Date : May 19, 2017

**(UNCONSOLIDATED) PROFIT AND LOSS ACCOUNT OF STATE BANK OF INDIA  
FOR THE YEARS ENDED MARCH 31, 2016 AND 2015**

(000s omitted)

	<u>Schedule No.</u>	<u>Year ended March 31, 2016</u>	<u>Year ended March 31, 2015</u>
		Rs.	Rs.
<b>I. INCOME</b>			
Interest earned.....	13	1,636,853,061	1,523,970,742
Other Income.....	14	281,583,601	225,758,926
<b>TOTAL</b> .....		<b><u>1,918,436,662</u></b>	<b><u>1,749,729,668</u></b>
<b>II. EXPENDITURE</b>			
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
<b>TOTAL</b> .....		<b><u>1,818,930,125</u></b>	<b><u>1,618,713,948</u></b>
<b>III. PROFIT</b>			
Net Profit for the year.....		99,506,537	131,015,720
Profit brought forward.....		3,248	3,248
<b>TOTAL</b> .....		<b><u>99,509,785</u></b>	<b><u>131,018,968</u></b>
<b>APPROPRIATIONS</b>			
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
<b>TOTAL</b> .....		<b><u>99,509,785</u></b>	<b><u>131,018,968</u></b>
Basic Earnings per Share .....		12.98	17.55
Diluted Earnings per Share.....		12.98	17.55
<b>Significant Accounting Policies</b> .....	17		
<b>Notes to Accounts</b> .....	18		

**STATE BANK OF INDIA**  
**CASH FLOW STATEMENT FOR THE QUARTER ENDED ON JUNE 30, 2017**

Particulars	₹in 000	
	Quarter ended on 30.06.2017	Quarter ended on 30.06.2016
	₹	₹
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net Profit before Taxes . . . . .	29,445,761	36,407,645
<b>Adjustments for:</b>		
Depreciation on Fixed Assets . . . . .	7,784,330	4,450,924
(Profit)/Loss on sale of Fixed Assets (Net) . . . . .	27,455	4,957
(Profit)/Loss on revaluation of Investments (Net) . . . . .	11,206,102	—
Provision for diminution in fair value & Non Performing Assets . . . . .	121,252,576	63,395,632
Provision on Standard Assets . . . . .	(20,387,172)	9,174,445
Provision for Investment depreciation/(appreciation) . . . . .	(7,552,244)	112,761
Other provisions including provision for contingencies . . . . .	(4,018,335)	1,448,122
Income from investment in subsidiaries, joint Ventures, Associates . . . . .	(232,716)	(1,583,137)
Interest paid on Capital Instruments . . . . .	12,670,607	10,717,986
	<u>150,196,364</u>	<u>124,129,335</u>
<b>Adjustments for:</b>		
Increase/(Decrease) in Deposits . . . . .	172,138,253	516,482,075
Increase/ (Decrease) in Borrowings other than Capital Instruments . . . . .	(884,202,432)	(969,004,250)
(Increase)/ Decrease in Investments other than investments in . . . . .		
Subsidiaries/Joint Ventures/Associates . . . . .	(195,671,451)	(188,835,852)
(Increase)/ Decrease in Advances . . . . .	526,184,448	408,755,476
Increase/ (Decrease) in Other Liabilities . . . . .	(450,329,769)	(631,098,766)
(Increase)/ Decrease in Other Assets . . . . .	210,566,419	277,423,119
	<u>(471,118,168)</u>	<u>(462,148,863)</u>
Tax refund/ (Taxes paid ) . . . . .	(14,983,322)	82,688,523
<b>NET CASH GENERATED FROM/ (USED IN) OPERATING ACTIVITIES . . . . .</b>	<b>A</b>	
	<u>(486,101,490)</u>	<u>(379,460,340)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
(Increase)/ Decrease in Investments in Subsidiaries/Joint Ventures/Associates . . . . .	—	(368,945)
Dividend received from Subsidiaries/Joint Ventures/Associates . . . . .	232,716	1,583,137
Increase)/ Decrease in Fixed Assets . . . . .	(9,656,752)	(6,238,437)
Cash paid to shareholders of erstwhile Associate Banks & Bhartiya Mahila Bank towards fractional entitlements consequent to merger . . . . .	(2,518)	—
<b>NET CASH GENERATED FROM/ (USED IN) INVESTING ACTIVITIES . . . . .</b>	<b>B</b>	
	<u>(9,426,554)</u>	<u>(5,024,245)</u>

Particulars	₹in 000	
	Quarter ended on 30.06.2017	Quarter ended on 30.06.2016
	₹	₹
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of equity shares including share premium . . . . .	149,824,006	—
Issue/(redemption) of Capital Instruments (NET) . . . .	(75,766,250)	(40,529,000)
Interest on Capital Instruments . . . . .	(12,670,607)	(10,717,986)
Dividends paid including tax thereon . . . . .	<u>(24,162,162)</u>	<u>(23,374,638)</u>
<b>NET CASH GENERATED FROM/ (USED IN) FINANCING ACTIVITIES . . . . .</b>	<b>C</b> <u>37,224,987</u>	<u>(74,621,624)</u>
<b>EFFECT OF EXCHANGE FLUCTUATION ON TRANSLATION RESERVE . . . . .</b>	<b>D</b> <u>2,242,903</u>	<u>3,494,557</u>
<b>CASH &amp; CASH EQUIVALENTS RECEIVED ON ACCOUNT OF MERGER OF ASSOCIATE &amp; SUBSIDIARY BANKS , BHARTIYA MAHILA BANK . . . . .</b>	<b>E</b> <u>988,902,899</u>	<u>—</u>
<b>NET INCREASE/(DECREASE) IN CASH &amp; CASH EQUIVALENTS (A+B+C+D+E) . . . . .</b>	532,842,745	(455,611,652)
<b>CASH AND CASH EQUIVALENTS AS AT 1ST APRIL 2017 . . . . .</b>	1,719,716,498	1,674,676,565
<b>CASH AND CASH EQUIVALENTS AS AT QUARTER ENDED ON 30TH JUNE 2017 . . . . .</b>	2,252,559,243	1,219,064,913
<b>Note: Components of Cash &amp; Cash Equivalents as at: . . . . .</b>	30.06.2017	30.06.2016
Cash & Balance with RBI . . . . .	1,373,838,824	807,330,058
Balances with Banks and money at call & short notice . . . . .	<u>878,720,419</u>	<u>411,734,855</u>
	<u>2,252,559,243</u>	<u>1,219,064,913</u>

**STATE BANK OF INDIA**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED ON MARCH 31, 2017**

Particulars	(₹ in 000)	
	Year ended on 31.03.2017	Year ended on 31.03.2016
	₹	₹
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net Profit before Taxes . . . . .	148,551,627	137,740,574
<b>Adjustments for:</b>		
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
	<u>549,301,414</u>	<u>482,654,582</u>
<b>Adjustments for:</b>		
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)
	<u>111,679,528</u>	<u>183,819,732</u>
Tax refund/ (Taxes paid ) . . . . .	(1,076,317)	(71,854,260)
<b>NET CASH GENERATED FROM/ (USED IN) OPERATING ACTIVITIES . . . . .</b>	<b>A</b> <u>110,603,211</u>	<u>111,965,472</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
(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)
<b>NET CASH GENERATED FROM/ (USED IN) INVESTING ACTIVITIES . . . . .</b>	<b>B</b> <u>(31,484,494)</u>	<u>(37,483,717)</u>

Particulars	(₹ in 000)		
	Year ended on 31.03.2017	Year ended on 31.03.2016	
	₹	₹	
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
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)	
<b>NET CASH GENERATED FROM/ (USED IN) FINANCING ACTIVITIES . . . . .</b>	<b>C (17,802,706)</b>	<b>4505,87,53</b>	
<b>EFFECT OF EXCHANGE FLUCTUATION ON TRANSLATION RESERVE . . . . .</b>	<b>D (16,276,078)</b>	<b>757,82,36</b>	
<b>NET INCREASE/(DECREASE) IN CASH &amp; CASH EQUIVALENTS . . . . . (A+B+C+D)</b>	<b>45,039,933</b>	<b>127,118,744</b>	
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR . . . . .</b>	<b>1,674,676,565</b>	<b>1,547,557,821</b>	
<b>CASH AND CASH EQUIVALENTS AS AT END OF THE YEAR . . . . .</b>	<b>1,719,716,498</b>	<b>1,674,676,565</b>	
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	
<b>Signed by: Shri Dinesh Kumar Khara      Shri P. K. Gupta      Shri Rajnish Kumar      Shri B. Sriram</b>			
Managing Director      Managing Director      Managing Director      Managing Director			
(Associates & Subsidiaries)      (Compliance & Risk)      (National Banking Group)      (Corporate Banking Group)			

**Directors:**

Shri Sanjiv Malhotra  
Shri M.D. Mallya  
Shri Deepak I. Amin  
Dr. Pushendra Rai  
Dr. Girish Kumar Ahuja  
Ms. Anjuly Chib Duggal  
Shri Chandan Sinha

**Smt. Arundhati Bhattacharya**  
Chairman



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

**(UNCONSOLIDATED) CASH FLOW STATEMENT OF STATE BANK OF INDIA  
FOR THE YEARS ENDED MARCH 31, 2016 AND 2015**

	Year ended March 31, 2016	(000s omitted) Year ended March 31, 2015
	Rs.	Rs.
<b>I. CASH FLOW FROM OPERATING ACTIVITIES</b> .....	111,965,472	276,210,290
<b>II. CASH FLOW FROM INVESTING ACTIVITIES</b> .....	(37,483,717)	(32,580,994)
<b>III. CASH FLOW FROM FINANCING ACTIVITIES</b> .....	45,058,753	(22,891,173)
<b>IV. CASH FLOW ON ACCOUNT OF EXCHANGE FLUCTUATION</b> .....	7,578,236	1,323,371
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b> ....	127,118,744	222,061,494
<b>V. CASH AND CASH EQUIVALENTS - OPENING</b> .....	1,547,557,821	1,325,496,327
<b>VI. CASH AND CASH EQUIVALENTS - CLOSING</b> .....	1,674,676,565	1,547,557,821
 <b>I. CASH FLOW FROM OPERATING ACTIVITIES</b>		
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)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b> ...	111,965,472	276,210,290

	Year ended March 31, 2016	(000s omitted) Year ended March 31, 2015
	Rs.	Rs.
<b>II. CASH FLOW FROM INVESTING ACTIVITIES</b>		
(Increase)/Decrease in Investments in Subsidiaries/Joint ventures/Associates . . . . .	(15,937,702)	(14,447,730)
Profit/(Loss) on sale of Investments in Subsidiaries/Joint Ventures/Associates . . . . .	1,080,000	—
Dividend received from Subsidiaries/Joint Ventures/Associates . . . . .	4,758,257	6,770,343
(Increase)/Decrease in Fixed Assets . . . . .	(27,384,272)	(24,903,607)
Profit/(Loss) on sale of Investments in Subsidiaries/Joint Ventures/Associates . . . . .	10,800,000	—
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES . . . .</b>	<u>(37,483,717)</u>	<u>(32,580,994)</u>
<b>III. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of equity share capital . . . . .	53,844,957	—
Share application Money pending allotment Received . . . . .	—	29,700,000
Issue/(redemption) of Capital Instruments . . . . .	59,028,420	(2,000,000)
Repayment of Capital Instruments . . . . .	—	—
Interest Paid on Capital Instruments . . . . .	(37,228,038)	(38,227,830)
Dividends Paid including tax thereon . . . . .	(30,586,586)	(12,363,343)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES . . . .</b>	<u>45,058,753</u>	<u>(22,891,173)</u>
<b>IV. CASH FLOW ON ACCOUNT OF EXCHANGE FLUCTUATION . . . . .</b>	<u>7,578,236</u>	<u>1,323,371</u>
<b>V. CASH AND CASH EQUIVALENTS - OPENING TOTAL . . .</b>	<u>1,547,557,821</u>	<u>1,325,496,327</u>
<b>VI. CASH AND CASH EQUIVALENTS - CLOSING TOTAL . . .</b>	<u><u>1,674,676,565</u></u>	<u><u>1,547,557,821</u></u>

**SCHEDULES TO THE FINANCIAL STATEMENTS FOR  
THE THREE MONTHS ENDED JUNE 30, 2017**

<b>CAPITAL AND LIABILITIES</b>	<b>(000's omitted) As on 30.06.2017</b>
	₹
Schedule 1 Capital . . . . .	8,632,050
Schedule 2 Reserves & Surplus . . . . .	2,281,615,657
Schedule 3 Deposits . . . . .	26,025,341,579
Schedule 4 Borrowings . . . . .	2,361,007,286
Schedule 5 Other Liabilities and Provisions . . . . .	1,258,965,952
<b>Total</b> . . . . .	<b><u>31,935,562,524</u></b>
 <b>ASSETS</b>	 <b>As on 30.06.2017</b>
Schedule 6 Cash and balances with Reserve Bank of India . . . . .	1,373,838,824
Schedule 7 Balances with banks and money at call & short notice . . . . .	878,720,418
Schedule 8 Investments . . . . .	9,521,284,307
Schedule 9 Advances . . . . .	18,042,189,280
Schedule 10 Fixed Assets . . . . .	501,073,621
Schedule 11 Other Assets . . . . .	1,618,456,074
<b>Total</b> . . . . .	<b><u>31,935,562,524</u></b>
Schedule 12 Contingent Liabilities . . . . .	12,613,441,360
Bills for Collection . . . . .	722,225,808
Schedule 17 Significant Accounting Policies . . . . .	
Schedule 18 Notes to Accounts . . . . .	
	 <b>(000's omitted)</b>
<b>Schedule 1 Capital</b>	<b>As on 30.06.2017</b>
	₹
Authorised Capital : 5000,00,00,000 shares of ₹1 each . . . . .	50,000,000
Issued Capital : 8632871423 Equity Shares of ₹1 each . . . . .	8,632,871
Subscribed and Paid-up Capital : . . . . .	8,632,050
863,20,50,393 Equity Shares of ₹1 each (The above includes 1336,17,210 Equity Shares of ₹1 each represented by 1,33,61,721 Global Depository Receipts]	
<b>Perpetual Non-Cumulative Preference Share (PNCPS)</b> . . . . .	”
<b>Total</b> . . . . .	<b>8,632,050</b>

Schedule 2 Reserves & Surplus	(000's omitted)	
	As on 30.06.2017	
	₹	₹
<b>I. Statutory Reserves</b>		
Opening Balance . . . . .	539,698,367	
Additions during the year. . . . .	113,671,470	
Deductions during the year . . . . .	,,	653,369,837
<b>II. Capital Reserves</b>		
Opening Balance . . . . .	36,881,759	
Additions during the year. . . . .	24,146,040	
Deductions during the year . . . . .	,,	61,027,799
<b>III. Share Premium</b>		
Opening Balance . . . . .	554,232,336	
Additions during the year. . . . .	149,477,807	
Deductions during the year . . . . .	175,996	703,534,147
<b>IV. Investment Reserve</b>		
Opening Balance . . . . .		
Additions during the year. . . . .		
Deductions during the year . . . . .		,,
<b>IV. Foreign currency Translation Reserve</b>		
Opening Balance . . . . .	44,286,394	
Additions during the year. . . . .	2,242,903	
Deductions during the year . . . . .	,,	46,529,297
<b>V. Revenue and Other Reserves</b>		
Opening Balance . . . . .	383,928,599	
Additions during the year(Including amount transferred from Revaluation Reserve) . . . . .	148,110,707	
Deductions during the year . . . . .	30,301,876	501,737,430
<b>VI. Revaluation Reserve</b>		
Opening Balance . . . . .	,,	
Additions during the year. . . . .	315,856,499	
	44,773,982	
Deductions during the year(Amount transferred to General Reserve) . . . . .	1,194,865	359,435,616
<b>VII. Balance of Profit and Loss Account</b>		(44,018,469)
<b>Total . . . . .</b>		<b><u>2,281,615,657</u></b>

Schedule 3 Deposits	(000's omitted)	
	As on 30.06.2017	
	₹	
<b>I. Demand Deposits</b>		
(i) From Banks. . . . .		68,215,307
(ii) From Others . . . . .		1,659,427,421
<b>II. Savings Bank Deposits. . . . .</b>		<b>9,596,925,592</b>
<b>III. Term Deposits</b>		
(i) From Banks. . . . .		217,168,859
(ii) From Others . . . . .		14,483,604,400
<b>Total. . . . .</b>		<b>26,025,341,579</b>
<b>I. Deposits of Branches in India . . . . .</b>		25,090,176,073
<b>II. Deposits of Branches outside India . . . . .</b>		935,165,506
<b>Total. . . . .</b>		<b>26,025,341,579</b>

Schedule 4 Borrowings		(000's omitted) As on 30.06.2017	
		₹	₹
<b>I. Borrowings in India</b>			
(i)	Reserve Bank of India . . . . .		,,
(ii)	Other Banks . . . . .		860,000
(iii)	Other Institutions and Agencies . . . . .		28,899,820
(iv)	Capital Instruments		
a.	Innovative Perpetual Debt Instruments (IPDI) . . .	108,100,000	
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 . . . . .	385,924,380	
			<u>494,024,380</u>
	<b>TOTAL . . . . .</b>		<b><u>523,784,200</u></b>
<b>II. Borrowings outside India</b>			
(i)	Borrowings and Refinance outside Indiaq. . . . .		1,817,849,086
(ii)	Capital Instruments		
a.	Innovative Perpetual Debt Instruments (IPDI) . . .	19,374,000	
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 . . . . .		,,
			19,374,000
	<b>TOTAL . . . . .</b>		<b><u>1,837,223,086</u></b>
	<b>GRAND TOTAL . . . . .</b>		<b><u>2,361,007,286</u></b>
	Secured borrowings included in I & II above. . . . .		34,898,670

Schedule 5 Other Liabilities and Provisions		(000's omitted) As on 30.06.2017	
		₹	₹
I.	Bills payable . . . . .		215,876,524
II.	Inter-office adjustments (net). . . . .		4,032,160
III.	Interest accrued. . . . .		202,216,370
IV.	Deferred Tax Liabilities (Net) . . . . .		21,772
V.	Others (including provisions) . . . . .		836,819,126
	<b>Total . . . . .</b>		<b>1,258,965,952</b>

Schedule 6 Cash and Balances with Reserve Bank of India		(000's omitted) As on 30.06.2017	
		₹	₹
I	Cash in hand (including foreign currency notes and gold) . . . . .		172,703,363
II	Balance with Reserve Bank of India . . . . .		
(i)	In Current Account . . . . .		1,201,135,461
(ii)	In Other Accounts . . . . .		,,
	<b>Total . . . . .</b>		<b>1,373,838,824</b>



Schedule 7 Balances with Banks and Money at Call & Short Notice	(000's omitted) As on 30.06.2017
	₹
<b>I. In India</b>	
(i) Balances with banks	
(a) In Current Accounts . . . . .	3,190,126
(b) In Other Deposit Accounts . . . . .	4,997,437
(ii) Money at call and short notice	
(a) With banks . . . . .	566,830,650
(b) With other institutions. . . . .	,,
<b>Total</b> . . . . .	<b>575,018,213</b>
<b>II. Outside India</b>	
(i) In Current Accounts . . . . .	155,418,338
(ii) In Other Deposit Accounts . . . . .	39,181,434
(iii) Money at call and short notice . . . . .	109,102,433
<b>Total</b> . . . . .	<b>303,702,205</b>
<b>GRAND Total</b> . . . . .	<b>878,720,418</b>

Schedule 8 Investments	(000's omitted) As on 30.06.2017
	₹
<b>I. Investments in India in :</b>	
(i) Government Securities . . . . .	7,595,764,608
(ii) Other approved securities . . . . .	,,
(iii) Shares . . . . .	96,354,923
(iv) Debentures and Bonds . . . . .	575,086,580
(v) Subsidiaries and/ or Joint Ventures(Including Associates) . . . . .	40,423,435
(vi) Others (Units of Mutual Funds, Commercial Papers etc.) . . . . .	816,278,376
<b>Total</b> . . . . .	<b>9,123,907,922</b>
<b>II. Investments outside India in</b>	
(i) Government Securities (including local authorities) . . . . .	86,276,325
(ii) Subsidiaries and/or Joint Ventures abroad . . . . .	26,437,500
(iii) Other Investments (Shares, Debentures etc.) . . . . .	284,662,560
<b>Total</b> . . . . .	<b>397,376,385</b>
<b>Grand Total [I+II]</b> . . . . .	<b>9,521,284,307</b>
<b>III. Investments in India</b>	
(i) Gross Value of Investments . . . . .	9,152,855,905
(ii) Less: Aggregate of Provisions/ Depreciation . . . . .	28,947,983
(iii) Net Investments (vide I above) TOTAL . . . . .	9,123,907,922
<b>IV. Investments outside India</b>	
(i) Gross Value of Investments . . . . .	397,989,229
(ii) Less: Aggregate of Provision/ Depreciation . . . . .	612,844
(iii) Net Investments (vide II above) TOTAL . . . . .	397,376,385
<b>GRAND TOTAL</b> . . . . .	<b>9,521,284,307</b>

Schedule 9 Advances		(000's omitted) As on 30.06.2017
		₹
<b>A</b>	I. Bills purchased and discounted . . . . .	623,936,956
	II. Cash credits, overdrafts and loans repayable on demand . . . . .	7,290,446,750
	III. Term loans . . . . .	10,127,805,574
	<b>Total</b> . . . . .	<b><u>18,042,189,280</u></b>
<b>B</b>	[i] Secured by Tangible Assets (includes advances against Book Debts) . .	14,259,809,449
	[ii] Covered by Bank/ Government Guarantees . . . . .	757,211,123
	[iii] Unsecured . . . . .	3,025,168,708
	<b>Total</b> . . . . .	<b><u>18,042,189,280</u></b>
<b>C</b>	(I) Advances In India	
	[i] Priority sector . . . . .	4,704,182,808
	[ii] Public sector . . . . .	1,042,822,372
	[iii] Banks . . . . .	49,555,904
	[iv] Others . . . . .	9,484,036,314
	<b>Total</b> . . . . .	<b><u>15,280,597,398</u></b>
	(II) Advances Outside India	
	[i] Due from Banks . . . . .	820,258,624
	[ii] Due from Others . . . . .	
	[1] Bills Purchased and Discounted . . . . .	106,944,466
	[2] Syndicated Loans . . . . .	1,013,090,409
	[3] Others . . . . .	821,298,383
	<b>Total</b> . . . . .	<b><u>2,761,591,882</u></b>
	<b>Grand Total</b> . . . . .	<b><u>18,042,189,280</u></b>

Schedule 10 Fixed Assets	(000's omitted)	
	As on 30.06.2017	
	₹	₹
<b>I. Premises</b>		
At cost as on 31st March of the preceding year . . . . .		
Additions during the year . . . . .		
Deductions during the year . . . . .		
Depreciation to date . . . . .		
<b>I. Premises . . . . .</b>		405,290,152
<b>II. Other Fixed Assets (including furniture and fixtures)</b>		
At cost as on 31st March of the preceding year . . . . .		
Additions during the year . . . . .		
Deductions during the year . . . . .		
Depreciation to date . . . . .		
<b>II. Other Fixed Assets (including furniture and fixtures) . . . . .</b>		87,886,547
<b>III. Leased Assets</b>		
At cost as on 31st March of the preceding year . . . . .		
Additions during the year . . . . .		
Deductions during the year . . . . .		
Depreciation to date including provision . . . . .		
		”
<b>Add: Lease adjustment account</b>		
<b>III. Leased Assets . . . . .</b>		”
<b>IV. Assets under Construction (Including Premises) . . . . .</b>		7,896,922
<b>Total . . . . .</b>		<b><u>501,073,621</u></b>

Schedule 11 Other Assets	(000's omitted)	
	As on 30.06.2017	
	₹	₹
(i) Inter-office adjustments (net) . . . . .		”
(ii) Interest accrued . . . . .		210,709,414
(iii) Tax paid in advance/ tax deducted at source . . . . .		127,545,617
(iv) Deferred Tax Assets (net) . . . . .		9,250,206
(v) Stationery and stamps . . . . .		1,257,795
(vi) Non-banking assets acquired in satisfaction of claims . . . . .		115,896
(vii) Others* . . . . .		<u>1,269,577,146</u>
* includes ₹ 594,072,213 thousand for Deposits placed with NABARD/ SIDBI/ NHB etc. for meeting shortfall in Priority Sector Lending		
<b>Total . . . . .</b>		<b><u>1,618,456,074</u></b>

Schedule 12 Contingent Liabilities	(000's omitted)	
	As on 30.06.2017	
	₹	₹
i) Claims against the bank not acknowledged as debts . . . . .		335,092,927
ii) Liability for partly paid investments/ Venture Funds . . . . .		5,972,065
iii) Liability on account of outstanding forward exchange contracts . . . . .		7,379,961,449
iv) Guarantees given on behalf of constituents		
(a) In India . . . . .		1,577,941,910
(b) Outside India . . . . .		730,855,159
v) Acceptances, endorsements and other obligations . . . . .		1,107,197,132
vi) Other items for which the bank is contingently liable . . . . .		<u>1,476,420,718</u>
<b>Total . . . . .</b>		<b><u>12,613,441,360</u></b>

## Schedule 1 - Capital

	(000s omitted)	
	As on 31.03.2017 (Current Year)	As on 31.03.2016 (Previous Year)
	₹	₹
<b>Authorised Capital :</b>		
50,000,000,000 shares of ₹ 1 each (Previous Year 50,000,000,000 shares of ₹ 1 each) . . . . .	50,000,000	50,000,000
<b>Issued Capital :</b>		
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
<b>Subscribed and Paid-up Capital :</b>		
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 . . . . .		
<b>TOTAL . . . . .</b>	<b><u>7,973,504</u></b>	<b><u>7,762,777</u></b>

## Schedule 2 - Reserves & Surplus

	(000s omitted)	
	As on 31.03.2017 (Current Year)	As on 31.03.2016 (Previous Year)
	₹	₹
<b>I. Statutory Reserves</b>		
Opening Balance . . . . .	508,246,059	478,394,098
Additions during the year. . . . .	31,452,308	29,851,961
Deductions during the year . . . . .	—	—
	<u>539,698,367</u>	<u>508,246,059</u>
<b>II. Capital Reserves</b>		
Opening Balance . . . . .	21,947,895	18,495,149
Additions during the year. . . . .	14,933,864	3,452,746
Deductions during the year . . . . .	—	—
	<u>36,881,759</u>	<u>21,947,895</u>
<b>III. Share Premium</b>		
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
	<u>554,232,336</u>	<u>497,694,771</u>
<b>IV. Foreign Currency Translation Reserve</b>		
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
	<u>44,286,394</u>	<u>60,562,472</u>

	As on 31.03.2017 (Current Year)	As on 31.03.2016 (Previous Year)
	₹	₹
(000s omitted)		
<b>V. Revenue and Other Reserves*</b>		
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
<b>VI. Revaluation Reserve</b>		
Opening Balance . . . . .	—	—
Additions during the year . . . . .	318,952,417	—
Deductions during the year . . . . .	3,095,918	—
	315,856,499	-
<b>VII. Balance of Profit and Loss Account . . . . .</b>	<b>3,168</b>	<b>3,168</b>
* 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)		
<b>TOTAL . . . . .</b>	<b>1,874,887,122</b>	<b>1,434,981,583</b>

### Schedule 3 - Deposits

	As on 31.03.2017 (Current Year)	As on 31.03.2016 (Previous Year)
	₹	₹
(000s omitted)		
<b>A. I. Demand Deposits</b>		
(i) From Banks . . . . .	55,074,388	57,355,863
(ii) From Others . . . . .	1,469,136,668	1,340,714,466
<b>II. Savings Bank Deposits</b>	7,589,613,854	5,977,460,602
<b>III. Term Deposits</b>		
(i) From Banks . . . . .	195,610,568	68,185,965
(ii) From Others . . . . .	11,138,078,469	9,863,507,465
<b>TOTAL . . . . .</b>	<b>20,447,513,947</b>	<b>17,307,224,361</b>
<b>B. I. Deposits of Branches in India . . . . .</b>	<b>19,533,000,827</b>	<b>16,364,245,865</b>
<b>II. Deposits of Branches outside India . . . . .</b>	<b>914,513,120</b>	<b>942,978,496</b>
<b>TOTAL . . . . .</b>	<b>20,447,513,947</b>	<b>17,307,224,361</b>

#### Schedule 4 - Borrowings

	(000s omitted)	
	As on 31.03.2017 (Current Year)	As on 31.03.2016 (Previous Year)
	₹	₹
<b>I. Borrowings in India</b>		
(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
	<u>416,713,380</u>	<u>445,392,380</u>
<b>TOTAL . . . . .</b>	<b><u>1,176,356,056</u></b>	<b><u>1,455,957,613</u></b>
<b>II. Borrowings outside India</b>		
(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
<b>TOTAL . . . . .</b>	<b>2,000,580,527</b>	<b>1,777,488,248</b>
<b>GRAND TOTAL . . . . .</b>	<b>3,176,936,583</b>	<b>3,233,445,861</b>
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
<b>TOTAL . . . . .</b>	<b><u>1,552,351,885</u></b>	<b><u>1,592,760,809</u></b>

#### 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 . . . . .	—	—
<b>TOTAL . . . . .</b>	<b><u>1,279,976,177</u></b>	<b><u>1,296,293,253</u></b>



## 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)
	₹	₹
<b>I. In India</b>		
(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 . . . . .	—	—
<b>TOTAL . . . . .</b>	<b><u>69,338,627</u></b>	<b><u>31,239,416</u></b>
<b>II. Outside India</b>		
(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
<b>TOTAL . . . . .</b>	<b><u>370,401,694</u></b>	<b><u>347,143,896</u></b>
<b>GRAND TOTAL (I &amp; II) . . . . .</b>	<b><u>439,740,321</u></b>	<b><u>378,383,312</u></b>

## Schedule 8 - Investments

	(000s omitted)	
	As on 31.03.2017 (Current Year)	As on 31.03.2016 (Previous Year)
	₹	₹
<b>I. Investments in India in :</b>		
(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
<b>TOTAL . . . . .</b>	<b><u>7,242,589,016</u></b>	<b><u>5,362,150,694</u></b>
<b>II. Investments outside India in :</b>		
(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
<b>TOTAL . . . . .</b>	<b><u>417,307,293</u></b>	<b><u>394,367,134</u></b>
<b>GRAND TOTAL (I &amp; II)</b>	<b><u>7,659,896,309</u></b>	<b><u>5,756,517,828</u></b>
<b>III. Investments in India :</b>		
(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) <b>TOTAL . . . . .</b>	<b><u>7,242,589,016</u></b>	<b><u>5,362,150,694</u></b>
<b>IV. Investments outside India :</b>		
(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) <b>TOTAL . . . . .</b>	<b><u>417,307,293</u></b>	<b><u>394,367,134</u></b>
<b>GRAND TOTAL (III &amp; IV) . . . . .</b>	<b><u>7,659,896,309</u></b>	<b><u>5,756,517,828</u></b>

## Schedule 9 - Advances

		(000s omitted)	
		As on 31.03.2017 (Current Year)	As on 31.03.2016 (Previous Year)
		₹	₹
<b>A.</b>	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
	<b>TOTAL</b> . . . . .	<b>15,710,783,811</b>	<b>14,637,004,175</b>
<b>B.</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
	<b>TOTAL</b> . . . . .	<b>15,710,783,811</b>	<b>14,637,004,175</b>
<b>C.</b>	I. Advances in India		
	(i) Priority Sector . . . . .	3,412,575,006	3,285,514,999
	(ii) Public Sector . . . . .	1,216,306,269	1,444,019,116
	(iii) Banks . . . . .	14,044,469	14,737,493
	(iv) Others . . . . .	8,233,491,879	7,256,044,416
	<b>TOTAL</b> . . . . .	<b>12,876,417,623</b>	<b>12,000,316,024</b>
	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
	<b>TOTAL</b> . . . . .	<b>2,834,366,188</b>	<b>2,636,688,151</b>
	<b>GRAND TOTAL (CI &amp; CII)</b> . . . . .	<b>15,710,783,811</b>	<b>14,637,004,175</b>

**Schedule 10 - Fixed Assets**

	As on 31.03.2017 (Current Year)	As on 31.03.2016 (Previous Year)
	₹	₹
<b>I. Premises (Including Revalued Premises)</b>		
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
<b>II. Other Fixed Assets (including furniture and fixtures)</b>		
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
<b>III. Leased Assets</b>		
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 . . . . .	—	—
	—	—
<b>IV. Assets under Construction (Including Premises) . . . . .</b>	<u>5,739,271</u>	<u>5,701,172</u>
<b>TOTAL (I, II, III &amp; IV) . . . . .</b>	<u><b>429,189,179</b></u>	<u><b>103,892,772</b></u>

## 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) . . . . .	—	—
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
	<b><u>1,540,077,244</u></b>	<b><u>1,404,084,051</u></b>

\* Includes Deposits placed with NABARD/SIDBI/NHB amounting to ₹594,072,213 thousand (Previous Year ₹ 524,012,593 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 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
	<b><u>10,464,409,319</u></b>	<b><u>9,719,560,058</u></b>

\* Includes Derivatives ₹1,396,697,558 thousand (Previous Year ₹1,258,568,650 thousand)

### 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
<b>TOTAL . . . . .</b>	<b><u>1,755,182,404</u></b>	<b><u>1,639,982,975</u></b>

### 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 <sup>1</sup> . . . . .	53,949,864	61,537,857
<b>TOTAL . . . . .</b>	<b><u>354,609,275</u></b>	<b><u>278,453,687</u></b>

<sup>1</sup> 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
<b>TOTAL . . . . .</b>	<b><u>1,136,585,034</u></b>	<b><u>1,068,034,921</u></b>

**Schedule 16 - Operating Expenses**

	Year ended 31.03.2017 (Current Year)	(000s omitted) Year ended 31.03.2016 (Previous Year)
	₹	₹
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
<b>TOTAL . . . . .</b>	<b><u>464,727,694</u></b>	<b><u>417,823,665</u></b>



**SCHEDULES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED MARCH 31, 2016 AND 2015**

**SCHEDULE 1 — CAPITAL**

	<b>As on March 31, 2016</b>	<b>(000s omitted) As on March 31, 2015</b>
	<b>Rs.</b>	<b>Rs.</b>
Authorized Capital - 50,000,000,000 of Rs. 1/-* each (Previous Year 50,000,000,000 shares of Rs. 1/- each) . . . . .	<u>50,000,000</u>	<u>50,000,000</u>
<b>Issued Capital</b>		
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
<b>Subscribed and Paid-up Capital</b> . . . . .		
7,762,777,042 Equity Shares of Rs. 1/- each (Previous year 7,465,730,920 Equity Shares of Rs. 1/- each (includes 160,431,560 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) . . . . .	—	—
<b>TOTAL</b> . . . . .	<u><b>7,762,777</b></u>	<u><b>7,465,731</b></u>

\* The face value of the equity shares of the Bank was reduced from Rs. 10 per share to Rs. 1 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 March 31, 2016		As on March 31, 2015	
	Rs.	Rs.	Rs.	Rs.
<b>I. Statutory Reserves</b>				
Opening Balance .....	478,394,098		438,103,300	
Additions during the year.....	29,851,961		40,290,798	
Deductions during the year .....	<u>—</u>		<u>—</u>	
		508,246,059		478,394,098
<b>II. Capital Reserves</b>				
Opening Balance .....	18,495,149		17,440,105	
Additions during the year.....	3,452,746		1,055,044	
Deductions during the year .....	<u>—</u>		<u>—</u>	
		21,947,895		18,495,149
<b>III. Share Premium</b>				
Opening Balance .....	414,446,860		414,446,860	
Additions during the year.....	83,334,499		—	
Deductions during the year .....	<u>86,588</u>		<u>—</u>	
		497,694,771		414,446,860
<b>IV. Foreign Currency Translation Reserve</b>				
Opening Balance .....	61,723,471		60,400,100	
Additions during the year.....	7,578,236		1,582,942	
Deductions during the year .....	<u>8,739,235</u>		<u>259,571</u>	
		60,562,472		61,723,471
<b>V. Revenue and Other Reserves*</b>				
Opening Balance .....	303,853,708		244,963,152	
Additions during the year.....	42,673,510		58,890,556	
Deductions during the year .....	<u>—</u>		<u>—</u>	
		346,527,218		303,853,708
<b>VI. Balance of Profit and Loss Account</b>		3,168		3,248
* Revenue & Other Reserve Includes:				
I) Rs. 50,000 thousand (Previous Year Rs. 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 Rs. 84,991,816 thousand (Previous year as 67,190,615 thousand)				
<b>TOTAL.....</b>		<b><u>1,434,981,583</u></b>		<b><u>1,276,916,534</u></b>

**SCHEDULE 3 — DEPOSITS**

		(000s omitted)	
		As on March 31, 2016	As on March 31, 2015
		Rs.	Rs.
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
	<b>TOTAL</b> .....	<b><u>17,307,224,361</u></b>	<b><u>15,767,932,450</u></b>
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
	<b>TOTAL</b> .....	<b><u>17,307,224,361</u></b>	<b><u>15,767,932,450</u></b>

**SCHEDULE 4 — BORROWINGS**

	As on March 31, 2016	(000s omitted) As on March 31, 2015
	Rs.	Rs.
<b>I. Borrowings in India</b>		
(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
	<u>445,392,380</u>	<u>386,363,960</u>
<b>TOTAL .....</b>	<b><u>464,417,613</u></b>	<b><u>453,964,741</u></b>
<b>II. Borrowings outside India</b>		
(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 .....	—	—
	<u>41,409,375</u>	<u>39,062,500</u>
<b>TOTAL .....</b>	<b><u>1,777,488,248</u></b>	<b><u>1,597,538,185</u></b>
<b>GRAND TOTAL .....</b>	<b><u>2,241,905,861</u></b>	<b><u>2,051,502,926</u></b>
Secured Borrowings included in I & II above .....	<b>80,467,779</b>	<b>45,819,692</b>

## SCHEDULE 5 — OTHER LIABILITIES AND PROVISIONS

	(000s omitted)	
	As on	As on
	March 31, 2016	March 31, 2015
	Rs.	Rs.
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
<b>TOTAL</b> . . . . .	<b><u>1,598,755,746</u></b>	<b><u>1,376,980,357</u></b>

## SCHEDULE 6 — CASH AND BALANCES WITH RESERVE BANK OF INDIA

	(000s omitted)	
	As on	As on
	March 31, 2016	March 31, 2015 (Current Year)
	Rs.	Rs.
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 . . . . .	—	—
<b>TOTAL</b> . . . . .	<b><u>1,296,293,253</u></b>	<b><u>1,158,838,435</u></b>

## SCHEDULE 7 — BALANCES WITH BANKS AND MONEY AT CALL & SHORT NOTICE

	(000s omitted)	
	As on	As on
	March 31, 2016	March 31, 2015
	Rs.	Rs.
<b>I. In India</b>		
(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 . . . . .	—	—
<b>TOTAL</b> . . . . .	<b><u>31,239,416</u></b>	<b><u>24,337,588</u></b>
<b>II. Outside India</b>		
(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
<b>TOTAL</b> . . . . .	<b><u>347,143,896</u></b>	<b><u>364,381,798</u></b>
<b>GRAND TOTAL</b> . . . . .	<b><u>378,383,312</u></b>	<b><u>388,719,386</u></b>

**SCHEDULE 8 — INVESTMENTS**

	<u>As on</u> <u>March 31, 2016</u>	<u>As on</u> <u>March 31, 2015</u>
	Rs.	Rs.
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
<b>TOTAL . . . . .</b>	<b><u>4,376,605,631</u></b>	<b><u>4,514,017,293</u></b>
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
<b>TOTAL . . . . .</b>	<b><u>394,367,134</u></b>	<b><u>303,570,185</u></b>
<b>GRAND TOTAL (I &amp; II) . . . . .</b>	<b><u>4,770,972,765</u></b>	<b><u>4,817,587,478</u></b>
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)		
<b>TOTAL . . . . .</b>	<b><u>4,376,605,631</u></b>	<b><u>4,514,017,293</u></b>
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)		
<b>TOTAL . . . . .</b>	<b><u>394,367,134</u></b>	<b><u>303,570,185</u></b>
<b>GRAND TOTAL . . . . .</b>	<b><u>4,770,972,765</u></b>	<b><u>4,817,587,478</u></b>



**SCHEDULE 9 — ADVANCES**

	<b>As on March 31, 2016</b>	<b>As on March 31, 2015</b>
	<b>R.s</b>	<b>Rs.</b>
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
<b>TOTAL . . . . .</b>	<b><u>14,637,004,175</u></b>	<b><u>13,000,263,929</u></b>
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
<b>TOTAL . . . . .</b>	<b><u>14,637,004,175</u></b>	<b><u>13,000,263,929</u></b>
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
<b>TOTAL . . . . .</b>	<b><u>12,000,316,024</u></b>	<b><u>10,672,513,737</u></b>
(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
<b>TOTAL . . . . .</b>	<b><u>2,636,688,151</u></b>	<b><u>2,327,750,192</u></b>
<b>GRAND TOTAL (C-I &amp; C-II). . . . .</b>	<b><u>14,637,004,175</u></b>	<b><u>13,000,263,929</u></b>

## SCHEDULE 10 — FIXED ASSETS

		(000s omitted)			
		<u>As on March 31, 2016</u>		<u>As on March 31, 2015</u>	
		Rs.	Rs.	Rs.	Rs.
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 . . . . .	<u>4,910,822</u>		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 . . . . .	<u>128,755,382</u>		<u>114,726,190</u>	
			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. . . . .	<u>—</u>		2,087,020	
			—		
	Add: Lease Adjustment and Provisions. . . . .	<u>—</u>		<u>—</u>	
					—
	IV. Assets under Construction (Including Premises) . . . . .		<u>5,701,172</u>		<u>2,873,656</u>
	<b>TOTAL (I, II, III &amp; IV) . . . . .</b>		<b><u>103,892,772</u></b>		<b><u>93,291,642</u></b>

**SCHEDULE 11 — OTHER ASSETS**

	(000s omitted)	
	As on	As on
	March 31, 2016	March 31, 2015
	Rs.	Rs.
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 . . . . .	1,109,030,584	774,569,045
<b>TOTAL . . . . .</b>	<b><u>1,404,084,051</u></b>	<b><u>1,022,097,128</u></b>

**SCHEDULE 12 — CONTINGENT LIABILITIES**

	(000s omitted)	
	As on	As on
	March 31, 2016	March 31, 2015
	Rs.	Rs.
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. . . . .	1,275,595,229	1,319,866,628
<b>TOTAL . . . . .</b>	<b><u>9,719,560,058</u></b>	<b><u>10,006,272,578</u></b>

**SCHEDULE 13 — INTEREST EARNED**

	(000s omitted)	
	Year ended	Year ended
	March 31, 2016	March 31, 2015
	Rs.	Rs.
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
<b>TOTAL . . . . .</b>	<b><u>1,636,853,061</u></b>	<b><u>1,523,970,742</u></b>

**SCHEDULE 14 — OTHER INCOME**

	(000s omitted)	
	Year ended March 31, 2016	Year ended March 31, 2015
	Rs.	Rs.
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
<b>TOTAL</b> . . . . .	<b><u>281,583,601</u></b>	<b><u>225,758,926</u></b>

**SCHEDULE 15 — INTEREST EXPENDED**

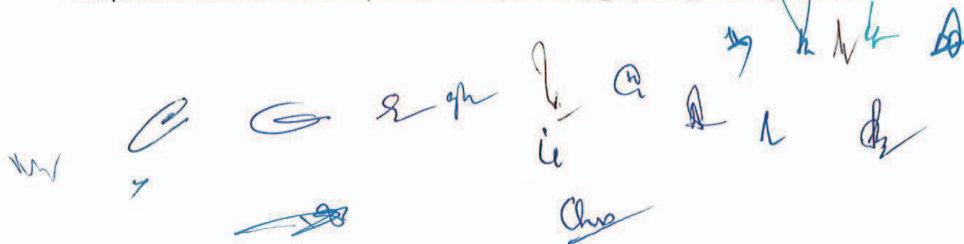
	(000s omitted)	
	Year ended March 31, 2016	Year ended March 31, 2015
	Rs.	Rs.
I. Interest on deposits . . . . .	988,649,884	891,484,502
II. Interest on Reserve Bank of India/Inter-bank borrowings . . . .	41,542,959	39,720,427
III. Others . . . . .	37,842,078	42,613,307
<b>TOTAL</b> . . . . .	<b><u>1,068,034,921</u></b>	<b><u>973,818,236</u></b>

**SCHEDULE 16 — OPERATING EXPENSES**

	(000s omitted)	
	Year ended March 31, 2016	Year ended March 31, 2015
	Rs.	Rs.
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
<b>TOTAL . . . . .</b>	<b><u>417,823,665</u></b>	<b><u>380,538,714</u></b>

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 results have been reviewed by the Audit Committee of the Board at their meeting held on August 10, 2017 and approved by the Board of Directors at their meeting held on August 11, 2017. The results have been subjected to a limited review by the Statutory Central Auditors.
- 3 The financial results for the quarter ended June 30, 2017 have been arrived at after considering necessary provisions for NPAs, Standard Assets, Standard Derivative Exposures and Investment Depreciation on the basis of prudential norms 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 estimated basis.
- 4 During the current quarter, 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. 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 INR 375.91 Crores. There are no other material changes in the Significant accounting policies adopted during the quarter ended June 30, 2017 as compared to those followed in the annual financial statements for the year ended March 31, 2017.
- 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 June 30, 2017 are placed on the Bank's Website <http://www.sbi.co.in>.
- 6 During the quarter ended June 30, 2017, the Bank has issued 52,21,93,211 Equity shares of INR 1/- each for cash pursuant to a Qualified Institution placement (QIP) as per the relevant provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations at INR 287.25 per share aggregating to INR 15000 Crores (Including share premium). This resulted in an increase of INR 52.22 Crores in Share Capital and INR 14930.18 Crores (Net of Issue expenses) in Share premium account.
- 7 The Capital adequacy ratio is computed on the basis of RBI guidelines applicable on the relevant reporting dates and the ratio for the corresponding previous periods is not comparable to consider the impact of subsequent changes, if any, in the guidelines.



Handwritten signatures and initials in blue ink, including a large signature that appears to be 'Chris' and several other initials and marks.



- 8 a) The Government of India (GOI) approved the schemes of acquisition of Banking Subsidiaries (SBBJ, SBM, SBT, SBP & SBH) and Bharatiya Mahila Bank Limited (BMBL) with State Bank of India, under the State Bank of India Act, 1955, effective from April 1, 2017. The results for this quarter includes operations of erstwhile Banking Subsidiaries & BMBL. Hence the results for this quarter are not comparable with that of the corresponding period of the previous year and the immediately preceding quarter. The shareholders of the merged entities were allotted shares of the Bank in the ratio, as mentioned below.

Name of the Transferor Banks	Share exchange ratio
State Bank of Bikaner and Jaipur (SBBJ)	28 shares of face value INR 1 each of SBI for every 10 shares of SBBJ of face value INR10 each fully paid up.
State Bank of Mysore (SBM)	22 shares of face value of INR 1 each for every 10 shares of SBM of face value INR 10 each fully paid up.
State Bank of Travancore (SBT)	22 shares of face value of INR 1 each for every 10 shares of SBT of face value of INR10 each fully paid up.
Bharatiya Mahila Bank Limited (BMBL)	4,42,31,510 shares of face value of INR 1 each for every 100,00,00,000 shares of BMBL of face value of INR 10 each fully paid up.

In respect of State Bank of Patiala and State Bank of Hyderabad which were wholly owned entities, entire share capital of those banks were cancelled against the investments held in those entities.


b) The merger of five Banking Subsidiaries and Bharatiya Mahila Bank Limited with effect from 01.04.2017 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. All assets and liabilities (including contingent liabilities), duties and obligations of the transferor Banks have been recorded in the books of account of SBI at their existing carrying amounts as on effective date.


c) Consequent to Merger, the process of evaluation, reconciliation and migration audit of carrying amounts of assets/liabilities is in progress at the end of the quarter. The impact of the same so far ascertained is accounted during the quarter. The impact on remaining accounts pending completion of evaluation, reconciliation and migration audit is not ascertainable at this stage, which in the opinion of the management, is not expected to be material.


- 9 Provision Coverage Ratio as on June 30, 2017 was 60.79 %

- 10 The Bank has received 77 Investors' complaints during the quarter ended June 30, 2017 which have been disposed off. There were no pending Investors' complaints either at the beginning or end of the quarter.

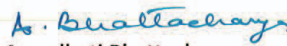
- 11 Previous periods/year figures have been regrouped / reclassified, wherever necessary, to conform to current period classifications.

  
Dinesh Kumar Khara  
MD (A&S)

  
P K Gupta  
MD (C&R)

  
Rajnish Kumar  
MD (NBG)

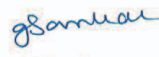
  
B Sriram  
MD (CBG)

  
Arundhati Bhattacharya  
Chairman

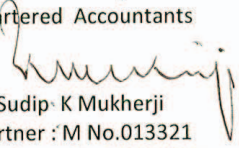
For Varma & Varma  
Chartered Accountants

  
Cherian K Baby  
Partner : M.No.016043  
Firm Regn. No. 004532 S

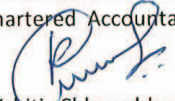
For V Sankar Aiyar & Co.  
Chartered Accountants

  
G Sankar  
Partner : M No.046050  
Firm Regn. No.109208 W

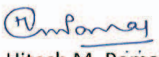
For S N Mukherji & Co.  
Chartered Accountants

  
Sudip K Mukherji  
Partner : M No.013321  
Firm Regn. No. 301079 E


For B Chhawchharia & Co.  
Chartered Accountants

  
Kshitiz Chhawchharia  
Partner : M.No.061087  
Firm Regn. No. 305123 E

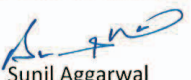
For Manubhai & Shah LLP  
Chartered Accountants

  
Hitesh M. Pömal  
Partner: M.No.106137  
FirmRegn.No.106041W/W100136


For M Bhaskara Rao & Co.  
Chartered Accountants

  
C S Subrahmanyam  
Partner : M.No.027951  
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

  
DR D.S. Rawat  
Partner : M.No.083030  
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

  
Abhay Chhajed  
Partner : M No.079662  
Firm Regn. No.000709 C

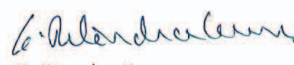
**For Mittal Gupta & Co.**  
Chartered Accountants

  
Akshay Kumar Gupta  
Partner: M.No. 070744  
Firm Regn. No. 001874 C

**For Rao & Kumar.**  
Chartered Accountants

  
K. Ch. S. Guru Prasad  
Partner : M.No.215652  
Firm Regn. No. 003089 S

**For Brahmaya & Co**  
Chartered Accountants

  
K. Jitendra Kumar  
Partner : M No.201825  
Firm Regn. No.000511 S

**Place : Mumbai**

**Date : August 11, 2017**

**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             10 Years Furniture & Fixtures

- 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 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 joiners 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

Particulars	Date of Issue	Tenor	Amount	(₹ in crore)	
				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 yrs 1 day	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	—
<b>Total . . . . .</b>			<b>USD 925 million</b>	<b>5,998.63</b>	<b>4,140.94</b>

\* 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

Sl. No.	Nature of Bonds	Principal Amount	Date of Issue	(₹ in crore)	
				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	
	<b>TOTAL . . . . .</b>	<b>9,265.00*</b>			

\* 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:-

Sr. No.	Nature of Bonds	Principal Amount	Date of Issue/ Date of Redemption	(₹ in crore)	
				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
	<b>TOTAL</b> . . . . .	<b>32,406.34</b>			



## 18.2. Investments

1. The Details of investments and the movement of provisions held towards depreciation on investments of the Bank are given below:

Particulars	(₹ in crore)	
	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, 2016, 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:

- 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.
- 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.
- 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%.
- 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:

Particulars	(₹ in crore)			
	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Balance as on 31st March 2017
<b>Securities sold under Repos</b>				
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)
<b>Securities purchased under Reverse Repos</b>				
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:

Sl. No.	Issuer	Amount	(₹ in crore)			
			Extent of Private Placement	Extent of “Below Grade” Investment 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)	(—)	(—)
	<b>Total . . . . .</b>	<b>190,750.92</b>	<b>116,426.07</b>	<b>4,300.22</b>	<b>1,993.24</b>	<b>3,500.60</b>
		<b>(116,098.91)</b>	<b>(42,172.15)</b>	<b>(4,947.28)</b>	<b>(1,847.92)</b>	<b>(844.07)</b>

(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**

Particulars	(₹ in crore)	
	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
<b>Total provisions held . . . . .</b>	<b>227.85</b>	<b>126.68</b>

**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)**

Particulars	(₹ in crore)			
	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) . . . . .	—	—	—	—
<b>Total (i) + (ii) . . . . .</b>	<b><u>5,516.99</u></b>	<b><u>2.68</u></b>	<b><u>47.06</u></b>	<b><u>5566.73</u></b>

**6. Details of Investments in Security Receipts against NPAs sold to Securitisation Company (SC)/Reconstruction Company (RC)**

Particulars	(₹ in crore)					
	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

Particulars	( ₹ in crore)	
	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
<b>Total</b>			<b>142,876.87</b>		

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
<b>Total</b>			<b>130,624.89</b>		

## 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

Particulars	(₹ in crore)			
	Currency Derivatives		Interest Rate Derivatives	
	Current Year	Previous Year	Current Year	Previous Year
(I) Derivatives (Notional Principal Amount)				
(a) For hedging . . . . .	6,968.86 <sup>@</sup>	17,713.28 <sup>@</sup>	54,347.59 <sup>#</sup>	55,699.48 <sup>#</sup>
(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).
- 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).
  - 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

Particulars	(₹ in Crore)	
	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.

- 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		Standard	Sub			Total	Standard	Sub			Total		
	Particulars	Standard		Doubtful	Loss	Standard			Doubtful	Loss				
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		Others (3)					TOTAL (1 + 2 + 3)				
	Asset Classification		Sub					Sub				
	Particulars		Standard	Standard	Doubtful	Loss	Total	Standard	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
		Amount outstanding	(676)	(1,273)	(1,351)	(463)	(3,763)	(1,112)	(1,370)	(1,505)	(476)	(4,463)
		Provision thereon	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
2	Fresh Restructuring during the current FY	No. of Borrowers	(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)
		Amount outstanding	403.03	7.13	30.54	0.03	440.73	1,232.45	38.97	603.00	0.98	1,875.40
		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)
3	Upgradation to restructured standard category during current FY	No. of Borrowers	7	130	63	5	205	7	133	75	5	220
		Amount outstanding	(105)	(252)	(73)	(19)	(449)	(129)	(257)	(86)	(20)	(492)
		Provision thereon	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
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	(6,497.48)	(65.63)	(284.39)	(102.82)	(6,950.32)	(8,320.96)	(80.63)	(706.75)	(195.54)	(9,303.88)
		Amount outstanding	22.76	1.05	25.60	—	49.41	23.32	1.57	28.58	—	53.47
		Provision thereon	(15.54)	(4.62)	(3.25)	(0.18)	(23.59)	(-163.92)	(0.10)	(51.04)	(2.77)	(-110.01)
5	Downgradations of restructured accounts during current FY	No. of Borrowers	2	2	6	-10	—	5	1	4	-10	—
		Amount outstanding	(13)	(1)	(4)	(-18)	(—)	(20)	(1)	(-2)	(-19)	(—)
		Provision thereon	129.73	0.03	-129.45	-0.31	—	629.50	-96.41	-532.78	-0.31	—
6	Write-offs of restructured accounts during current FY	No. of Borrowers	(373.49)	(-2.06)	(-322.69)	(-48.74)	(—)	(649.61)	(-16.67)	(-259.29)	(-373.65)	(—)
		Amount outstanding	0.96	—	-0.96	—	—	38.02	-0.42	-37.60	—	—
		Provision thereon	(13.90)	—	(-10.94)	(-2.96)	(—)	(22.20)	(-0.03)	(10.11)	(-32.28)	(—)
7	Total Restructured Accounts as on 31st March, 2017 (Closing Position)	No. of Borrowers	-19				-19	-86				-86
		Amount outstanding	(-51)				(-51)	(-146)				(-146)
		Provision thereon	-1,747.00				-1,747.00	-3,082.78				-3,082.78
8	Total Restructured Accounts as on 31st March, 2017 (Closing Position)	No. of Borrowers	(-3,065.11)				(-3,065.11)	(-4,646.12)				(-4,646.12)
		Amount outstanding	-20.25				-20.25	-41.19				-41.19
		Provision thereon	(-117.18)				(-117.18)	(-160.82)				(-160.82)
9	Total Restructured Accounts as on 31st March, 2017 (Closing Position)	No. of Borrowers	-87	-222	290	19	—	-128	-227	323	32	—
		Amount outstanding	(-203)	(-832)	(1,132)	(-97)	—	(-269)	(-842)	(1,195)	(-84)	—
		Provision thereon	-3,698.54	1,631.73	1,752.57	314.24	—	-8,805.91	1,413.70	6,819.81	572.40	—
10	Total Restructured Accounts as on 31st March, 2017 (Closing Position)	No. of Borrowers	(-5,583.94)	(291.06)	(5,332.77)	(-39.89)	(—)	(-15,685.24)	(-245.88)	(15,888.18)	(42.94)	(—)
		Amount outstanding	-102.40	23.63	78.77	—	—	-399.52	11.67	375.50	12.35	—
		Provision thereon	(-256.08)	(5.21)	(253.79)	(-2.92)	(-)	(-826.97)	(-61.12)	(910.99)	(-22.90)	(—)
11	Total Restructured Accounts as on 31st March, 2017 (Closing Position)	No. of Borrowers	-104	-224	-705	-55	-1,088	-138	-245	-643	-59	-1,085
		Amount outstanding	(-239)	(-174)	(-224)	(-277)	(914)	(-297)	(-217)	(-251)	(-289)	(-1,054)
		Provision thereon	-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
12	Total Restructured Accounts as on 31st March, 2017 (Closing Position)	No. of Borrowers	(-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)
		Amount outstanding	-61.83	-3.67	-40.87	-0.03	-24.66	-261.54	-12.99	-319.94	-12.39	-606.86
		Provision thereon	(-348.84)	(-15.28)	(-354.53)	(—)	(-718.65)	(-703.40)	(-26.36)	(-819.66)	(—)	(-1,549.42)
13	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
		Amount outstanding	(301)	(520)	(2,336)	(90)	(3,247)	(549)	(569)	(2,533)	(104)	(3,755)
		Provision thereon	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
14	Total Restructured Accounts as on 31st March, 2017 (Closing Position)	No. of Borrowers	(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)
		Amount outstanding	242.27	28.14	174.82	—	445.23	591.54	38.79	649.55	0.94	1,280.82
		Provision thereon	(403.03)	(7.13)	(30.54)	(0.03)	(440.73)	(1,231.68)	(39.02)	(546.63)	(0.98)	(1,818.31)

**Note:**

- Increase in outstanding of ₹ 1,922.73 crore (Previous Year ₹ 4,731.40 crore) included in Fresh Additions
- 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.
- Total Column does not include standard assets moved out of higher provisioning.

**d) Details of Technical Write-offs and the recoveries made thereon:**

Particulars	(₹ in crore)	
	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**

Particulars	(₹ in crore)	
	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)**

Particulars	(₹ in crore)	
	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**

Particulars	(₹ in crore)	
	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**

Particulars	(₹ in crore)	
	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:

Particulars	(₹ in crore)	
	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)**

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	
	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**

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
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)**

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	
	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 (32,254.69)	38,065.95 (31,224.38)	25,980.69 (18,964.10)	42,544.33 (26,786.00)	59,304.31 (91,505.07)	62,862.54 (23,234.47)	177,889.82 (142,701.27)	350,586.32 (329,433.98)	457,630.51 (406,204.54)	204,524.39 (159,306.39)	600,665.33 (492,342.02)	2,044,751.39 (1,730,722.44)
Advances	88,220.08 (81,248.64)	11,902.42 (10,318.80)	10,735.41 (8,806.38)	24,246.23 (17,512.55)	26,857.91 (89,543.50)	33,575.28 (51,218.22)	25,110.19 (66,019.16)	34,647.16 (665,803.22)	573,668.96 (175,530.67)	130,137.82 (297,699.28)	611,976.92 (45,719.28)	1,571,078.38 (1,463,700.42)
Investments	0.11 (0.70)	2,467.87 (2,178.40)	3,533.97 (13,283.39)	9,420.60 (7,983.89)	20,303.63 (23,234.47)	23,030.42 (16,584.72)	65,709.50 (24,030.26)	47,135.41 (100,763.66)	100,108.55 (63,387.22)	109,188.92 (324,205.07)	385,090.65 (47,100.93)	765,989.63 (575,651.78)
Borrowings	5,668.32 (2,111.64)	87,457.90 (108,418.22)	8,903.41 (3,753.41)	18,284.39 (16,751.13)	23,097.43 (55,712.26)	24,040.18 (25,352.81)	37,371.23 (17,601.19)	13,169.80 (31,350.48)	20,431.03 (16,574.17)	23,590.79 (45,719.28)	55,679.18 (323,344.59)	317,693.66 (323,344.59)
Foreign Currency Assets #	80,272.16 (78,671.10)	1,328.79 (1,495.59)	3,953.60 (990.85)	8,351.58 (7,330.95)	9,722.94 (30,412.64)	9,768.94 (19,118.60)	12,432.10 (20,894.87)	32,353.90 (59,109.37)	63,954.10 (65,118.64)	67,312.64 (47,100.93)	40,758.58 (330,243.54)	330,209.33 (330,243.54)
Foreign Currency Liabilities \$	30,639.24 (28,569.54)	12,268.81 (9,803.31)	10,316.45 (4,293.14)	21,500.13 (20,231.25)	28,558.95 (62,665.39)	30,283.69 (36,463.27)	51,784.89 (52,236.94)	35,556.34 (59,586.10)	46,971.60 (32,578.57)	34,795.54 (10,116.16)	18,202.56 (316,543.67)	320,878.20 (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

Particulars	(₹ in crore)	
	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
<b>Total . . . . .</b>	<b><u>359,221.42</u></b>	<b><u>263,664.54</u></b>

**b) Capital Market**

Particulars	(₹ in crore)	
	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
<b>Total Exposure to Capital Market .....</b>	<b><u>22,803.57</u></b>	<b><u>15,859.98</u></b>

**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.

Risk Category	(₹ in crore)			
	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
<b>Total.....</b>	<b>161,335.81</b>	<b>147,037.32</b>	<b>116.04</b>	<b>78.60</b>

**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**

Particulars	(₹ in crore)	
	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 independent Actuary appointed by the Bank:-

Particulars	(₹ in crore)			
	Pension Plans		Gratuity Plan	
	Current Year	Previous Year	Current Year	Previous Year
<b>Change in the present value of the defined benefit obligation</b>				
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
<b>Change in Plan Assets</b>				
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
<b>Reconciliation of present value of the obligation and fair value of the plan assets</b>				
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
<b>Amount Recognised in the Balance Sheet</b>				
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
<b>Net Cost recognised in the profit and loss account</b>				
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
<b>Reconciliation of expected return and actual return on Plan Assets</b>				
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
<b>Reconciliation of opening and closing net liability/(asset) recognised in Balance Sheet</b>				
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:-

Particulars	(₹ in crore)	
	Provident Fund	
	Current Year	Previous Year
<b>Change in the present value of the defined benefit obligation</b>		
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
<b>Change in Plan Assets</b>		
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
<b>Reconciliation of present value of the obligation and fair value of the plan assets</b>		
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
<b>Net Cost recognised in the profit and loss account</b>		
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
<b>Reconciliation of opening and closing net liability/ (asset) recognised in Balance Sheet</b>		
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:-

Particulars	(₹ in crore)	
	Current Year	Previous Year
<b>Change in the present value of the defined benefit obligation</b>		
Opening defined benefit obligation at 1st April 2016 . . . . .	4,375.49	3,756.50
Current Service Cost . . . . .	212.74	230.94

Particulars	(₹ in crore)	
	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
<b>Net Cost recognised in the profit and loss account</b>		
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
<b>Reconciliation of opening and closing net liability/(asset) recognised in Balance Sheet</b>		
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. . . . .	<u>4,754.10</u>	<u>4,375.49</u>

**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:

Sr. No.	Long Term Employee Benefits	(₹ in crore)	
		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)
	<b>Total.....</b>	<u><b>46.94</b></u>	<u><b>(7.62)</b></u>

## 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)

Business Segment	(₹ in crore)				
	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 Servicios 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

Particulars	(₹ in crore)		
	Associates/ Joint Ventures	Key Management Personnel & their relatives	Total
<b>Outstanding as at 31st March</b>			
Borrowings . . . . .	Nil (Nil)	Nil (Nil)	Nil (Nil)
Deposit . . . . .	14.91 (39.07)	Nil (Nil)	14.91 (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 (41.55)	Nil (Nil)	81.15 (41.55)
Non-fund commitments (LCs/BGs) . . . . .	Nil (Nil)	Nil (Nil)	Nil (Nil)
<b>Maximum outstanding during the year</b>			
Borrowings . . . . .	Nil (Nil)	Nil (Nil)	Nil (Nil)
Deposit . . . . .	29.17 (51.95)	Nil (Nil)	29.17 (51.95)
Other Liabilities . . . . .	Nil (0.02)	Nil (Nil)	Nil (0.02)
Balance with Banks . . . . .	Nil (2.12)	Nil (Nil)	Nil (2.12)
Advance . . . . .	Nil (Nil)	Nil (Nil)	Nil (Nil)
Investment . . . . .	81.15 (41.55)	Nil (Nil)	81.15 (41.55)
Non-fund commitments (LCs/BGs) . . . . .	Nil (Nil)	Nil (Nil)	Nil (Nil)
<b>During the year ended 31st March</b>			
Interest Income . . . . .	Nil (Nil)	Nil (Nil)	Nil (Nil)
Interest expenditure . . . . .	0.18 (1.86)	Nil (Nil)	0.18 (1.86)
Income earned by way of dividend . . . . .	33.83 (27.32)	Nil (Nil)	33.83 (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 (Nil)	1.39 (1.58)	1.39 (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

Particulars	(₹ in crore)	
	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
<b>Total</b> . . . . .	<b><u>1,731.06</u></b>	<b><u>1,754.65</u></b>

(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.

Particulars Basic and diluted	(₹ in crore)	
	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	(₹ in crore)	
	As at 31st March 2017	As at 31st March 2016
<b>Deferred Tax Assets (DTA)</b>		
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
<b>Total . . . . .</b>	<b><u>6,051.24</u></b>	<b><u>4,381.86</u></b>
<b>Deferred Tax Liabilities (DTL)</b>		
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	—
<b>Total . . . . .</b>	<b><u>8,613.11</u></b>	<b><u>6,594.30</u></b>
<b>Net Deferred Tax Assets/(Liabilities) . . . . .</b>	<b><u>(2,561.87)</u></b>	<b><u>(2,212.44)</u></b>

**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:

Particulars	(₹ in crore)	
	As at 31st March 2017	As at 31st March 2016
<b>Liabilities</b>		
Capital & Reserves . . . . .	230.72	174.57
Deposits . . . . .	—	—
Borrowings . . . . .	9.93	5.31
Other Liabilities & Provisions . . . . .	118.74	101.07
<b>Total</b> . . . . .	<b>359.39</b>	<b>280.95</b>
<b>Assets</b>		
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
<b>Total</b> . . . . .	<b>359.39</b>	<b>280.95</b>
Capital Commitments . . . . .	—	—
Other Contingent Liabilities . . . . .	1.52	6.04
<b>Income</b>		
Interest earned . . . . .	9.14	6.75
Other income . . . . .	366.32	328.38
<b>Total</b> . . . . .	<b>375.46</b>	<b>335.13</b>
<b>Expenditure</b>		
Interest expended . . . . .	0.71	0.96
Operating expenses . . . . .	299.69	260.30
Provisions & contingencies . . . . .	23.91	22.18
<b>Total</b> . . . . .	<b>324.31</b>	<b>283.44</b>
<b>Profit</b> . . . . .	<b>51.15</b>	<b>51.69</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 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**

Particulars	(₹ in crore)	
	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**

Particulars	(₹ in crore)	
	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
<b>Total . . . . .</b>	<b>40,363.79</b>	<b>33,307.15</b>

**2. Floating Provisions**

Particulars	(₹ in crore)	
	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	As at 31st March
	2017	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

Particulars	(₹ in crore)	
	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	—
<b>TOTAL</b> . . . . .	<b>599.84</b>	<b>464.00</b>

## 9. CONCENTRATION OF DEPOSITS, ADVANCES EXPOSURES & NPAS (COMPUTED AS PER DIRECTIONS OF RBI)

### a) Concentration of Deposits

Particulars	(₹ in crore)	
	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

Particulars	(₹ in crore)	
	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

Particulars	(₹ in crore)	
	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 borrowers/customers to Total Exposure of the Bank on borrowers/customers . . . . .	14.67%	14.93%

d) Concentration of NPAs

Particulars	(₹ in crore)	
	Current Year	Previous Year
Total Exposure to top four NPA accounts . . . . .	21,901.53	26,863.55

10. Sector-wise Advances

Sr. No.	Sector	Current Year			Previous year		
		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
<b>A</b>	<b>Priority Sector</b>						
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>B</b>	<b>Non Priority Sector</b>						
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
<b>C</b>	<b>Total (A+B).....</b>	<b>16,27,277.54</b>	<b>1,12,342.99</b>	<b>6.90</b>	<b>15,09,499.82</b>	<b>98,172.80</b>	<b>6.50</b>

11. Overseas Assets, NPAs and Revenue

Sr. No.	Particulars	(₹ in crore)	
		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

Sr. No.	Particulars	(₹ in crore)			
		Current Year		Previous Year	
		Number	Amount	Number	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)			
		Current Year		Previous Year	
Sr. No.	Particulars	As Protection Buyer	As Protection Seller	As Protection Buyer	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)

Particulars	(₹ in crore)	
	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: 
$$\frac{\text{Stock of high quality liquid assets (HQLAs)}}{\text{Total net cash outflow over the next 30 calendar days}}$$

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: 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
	<b>HIGH QUALITY LIQUID ASSETS (HQLA)</b>									
1 Total High Quality Liquid Assets (HQLA) . . . . .		510,555		449,193		366,350		301,395		2,50,927
<b>CASH OUTFLOWS</b>										
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) Outflows related to loss of 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
<b>CASH INFLOWS</b>										
9 Secured lending (eg. Reverse repos) . . . . .	50,698	—	15,254	—	5,437	—	2,942	—	312	—

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)	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)
	Note 1	Note 1	Note 2	Note 2	Note 2	Note 2	Note 2	Note 2	Note 2	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)
<b>High Quality Liquid Assets</b>										
1 Total High Quality Liquid Assets (HQLA) . . . . .		6,40,508		5,61,005		4,54,193		3,82,930		3,25,539
<b>Cash Outflows</b>										
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
<b>Cash Inflows</b>										
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
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.

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS  
(UNCONSOLIDATED) FOR THE YEAR ENDED MARCH 31, 2016**

**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:

<u>Sl. No.</u>	<u>Description of Fixed Assets</u>	<u>Method of charging depreciation</u>	<u>Depreciation/amortisation rate</u>
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 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 joiners 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

Particulars	Date of Issue	Tenor	Amount	₹ In crores	
				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
			USD 625 million		
Total . . . . .				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
<b>TOTAL</b>		<b>2,165.00*</b>		

\* 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

<b>Sr. No.</b>	<b>Nature Of Bonds</b>	<b>Principal Amount</b>	<b>Date Of Issue/ Date Of Redemption</b>	<b>Rate Of Interest % P.A.</b>	<b>Maturity Period In Months</b>
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 COMPLIANT 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 COMPLIANT 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 COMPLIANT 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 COMPLIANT TIER 2 BONDS 2015-16 (Series IV) . . . . .	500.00	21.03.2016 21.03.2026	8.45	120
<b>TOTAL</b>		<b>42,374.24</b>			



## 18.2. Investments

1. The Details of investments and the movement of provisions held towards depreciation on investments of the Bank are given below:

Particulars	₹ In crores	
	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, iii) 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 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
<b>Securities sold under repos</b>				
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)	(—)
<b>Securities purchased under reverse repos</b>				
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 Grade" Investment 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)
	<b>Total . . . . .</b>	<b>1,16,698.40</b>	<b>42,172.15</b>	<b>4,947.28</b>	<b>1,847.92</b>	<b>844.07</b>
		<b>(104,104.57)</b>	<b>(38,547.53)</b>	<b>(3,525.18)</b>	<b>(2,110.81)</b>	<b>(1,844.09)</b>

(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
<b>Opening Balance</b> . . . . .	401.72	935.24
Additions during the year . . . . .	52.36	48.11
Reductions during the year . . . . .	307.84	581.63
<b>Closing balance</b> . . . . .	146.24	401.72
<b>Total provisions held</b> . . . . .	<b>126.68</b>	<b>394.17</b>

## 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 <sup>@</sup>	4,450.61 <sup>@</sup>	55,699.48 <sup>#</sup>	69,056.07 <sup>#</sup>
(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 - Minimum . . . . .	0.08 -0.04	0 -0.03	-34.14 -44.36	-79.11 -88.24
(b) on trading — Maximum - Minimum . . . . .	0.67 0	6.22 0.039	0.9 -0.05	0.38 0.2225

<sup>@</sup> 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.

<sup>#</sup> 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**

Sl. No.	Type of Restructuring		Under CDR Mechanism (1)					Under SME Debt Restructuring Mechanism (2)						
			Asset Classification					Asset Classification						
	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		Others (3)					TOTAL (1 + 2 + 3)				
	Asset Classification		Sub					Sub				
	Particulars		Standard	Standard	Doubtful	Loss	Total	Standard	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

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	
	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

Particulars	₹ In crores	
	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
<b>Total . . . . .</b>	<b>263,664.54</b>	<b>223,388.52</b>

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
<b>Total Exposure to Capital Market. . . . .</b>	<b>15,859.98</b>	<b>13,588.24</b>

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

Risk Category	Net Funded Exposure		Provision held	
	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
<b>Total . . . . .</b>	<b>147,037.32</b>	<b>94,393.96</b>	<b>78.60</b>	<b>56.89</b>



**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

<u>Name of the Borrower</u>	<u>Exposure Ceiling</u>	<u>Exposure Sanctioned (Peak Level)</u>	<u>Period during which limit exceeded</u>	<u>Outstanding as on 31st March 2016</u>
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

<u>Particulars</u>	<u>As at 31st March 2016</u>	<u>As at 31st March 2015</u>
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

Particulars	Pension Plans		Gratuity Plan	
	Current Year	Previous Year	Current Year	Previous Year
<b>Change in the present value of the defined benefit obligation</b>				
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
<b>Change in Plan Assets</b>				
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
<b>Reconciliation of present value of the obligation and fair value of the plan assets</b>				
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
<b>Amount Recognised in the Balance Sheet</b>				
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
<b>Net Cost recognised in the profit and loss account</b>				
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
<b>Reconciliation of expected return and actual return on Plan Assets</b>				
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
<b>Reconciliation of opening and closing net liability/(asset) recognised in Balance Sheet</b>				
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	Gratuity Fund
	% of Plan Assets	% 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%
<b>Total</b> . . . . .	<b>100.00%</b>	<b>100.00%</b>

**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)	IALM (2006-08)	IALM (2006-08)	IALM (2006-08)
	ULTIMATE	ULTIMATE	ULTIMATE	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

Amount recognized in the Balance Sheet	Pension				
	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:-

Particulars	Provident Fund	
	Current Year	Previous Year
	₹ in crores	
<b>Change in the present value of the defined benefit obligation</b>		
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
<b>Change in Plan Assets</b>		
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
<b>Reconciliation of present value of the obligation and fair value of the plan assets</b>		
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
<b>Net Cost recognised in the profit and loss account</b>		
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
<b>Reconciliation of opening and closing net liability/(asset) recognised in Balance Sheet</b>		
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%	
<b>Total . . . . .</b>	<b>100.00 %</b>	

**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%
	IALM	IALM
	(2006-08)	(2006-08)
Mortality Table. . . . .	ULTIMATE	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
<b>Change in the present value of the defined benefit obligation</b>		
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
<b>Net Cost recognised in the profit and loss account</b>		
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
<b>Reconciliation of opening and closing net liability/ (asset) recognised in Balance Sheet</b>		
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%
	IALM	IALM
	(2006-08)	(2006-08)
Mortality Table. . . . .	ULTIMATE	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
	<b>Total . . . . .</b>	<b>(7.62)</b>	<b>(40.05)</b>

**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%
	IALM	IALM
	(2006-08)	(2006-08)
Mortality Table . . . . .	ULTIMATE	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

<b>Business Segment</b>	<b>Treasury</b>	<b>Corporate / Wholesale Banking</b>	<b>Retail Banking</b>	<b>Other Banking Operations</b>	<b>Total</b>
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 Servicios 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
<b>A. Outstanding as at 31st March</b>			
Borrowings . . . . .	Nil (Nil)	Nil (Nil)	Nil (Nil)
Deposit . . . . .	39.07 (35.8)	Nil (Nil)	39.07 (35.80)
Other Liabilities . . . . .	Nil (0.02)	Nil (Nil)	Nil (0.02)
Balance with Banks . . . . .	Nil (2.12)	Nil (Nil)	Nil (2.12)
Advance . . . . .	Nil (Nil)	Nil (Nil)	Nil (Nil)
Investment . . . . .	41.55 (41.55)	Nil (Nil)	41.55 (41.55)
Non-fund commitments (LCs/BGs) . . . . .	Nil (Nil)	Nil (Nil)	Nil (Nil)
<b>B. Maximum outstanding during the year</b>			
Borrowings . . . . .	Nil (Nil)	Nil (Nil)	Nil (Nil)
Deposit . . . . .	51.95 (57.06)	Nil (Nil)	51.95 (57.06)
Other Liabilities . . . . .	0.02 (0.02)	Nil (Nil)	0.02 (0.02)
Balance with Banks . . . . .	2.12 (5.94)	Nil (Nil)	2.12 (5.94)
Advance . . . . .	Nil (Nil)	Nil (Nil)	Nil (Nil)
Investment . . . . .	41.55 (41.55)	Nil (Nil)	41.55 (41.55)
Non-fund commitments (LCs/BGs) . . . . .	Nil (Nil)	Nil (Nil)	Nil (Nil)
<b>C. During the year ended 31st March</b>			
Interest Income . . . . .	Nil (Nil)	Nil (Nil)	Nil (Nil)
Interest expenditure . . . . .	1.86 (2.78)	Nil (Nil)	1.86 (2.78)
Income earned by way of dividend . . . . .	27.32 (33.82)	Nil (Nil)	27.32 (33.82)
Other Income . . . . .	Nil (Nil)	Nil (Nil)	Nil (Nil)
Other expenditure . . . . .	Nil (3.09)	Nil (Nil)	Nil (3.09)
Profit/(loss) on sale of land/building and other assets . . . . .	Nil (Nil)	Nil (Nil)	Nil (Nil)
Management contracts . . . . .	Nil (Nil)	1.58 (1.03)	1.58 (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

<u>Particulars</u>	<u>As at 31st March 2016</u>	<u>As at 31st March 2015</u>
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
<b>Total*</b> . . . . .	<b>1,754.65</b>	<b>1,044.01</b>

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.

<u>Particulars</u>	<u>Current Year</u>	<u>Previous Year</u>
<b>Basic and diluted</b>		
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
<b>Deferred Tax Assets (DTA)</b>		
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
<b>Total. . . . .</b>	<b>4,381.86</b>	<b>3,781.81</b>
<b>Deferred Tax Liabilities (DTL)</b>		
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
<b>Total. . . . .</b>	<b>6,594.30</b>	<b>5,768.95</b>
<b>Net Deferred Tax Assets/(Liabilities) . . . . .</b>	<b>(2,212.44)</b>	<b>(1,987.14)</b>

**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	Maquarie 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:

Particulars	₹ In crores	
	As at 31st March 2016	As at 31st March 2015
<b>Liabilities</b>		
Capital & Reserves . . . . .	174.57	159.14
Deposits . . . . .	—	—
Borrowings . . . . .	5.31	8.15
Other Liabilities & Provisions . . . . .	101.07	76.93
<b>Total . . . . .</b>	<b>280.95</b>	<b>244.22</b>
<b>Assets</b>		
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
<b>Total . . . . .</b>	<b>280.95</b>	<b>244.22</b>
Capital Commitments . . . . .	—	—
Other Contingent Liabilities . . . . .	6.04	3.51
<b>Income</b>		
Interest earned . . . . .	6.75	6.09
Other income . . . . .	328.38	285.04
<b>Total . . . . .</b>	<b>335.13</b>	<b>291.13</b>
<b>Expenditure</b>		
Interest expended . . . . .	0.96	1.23
Operating expenses . . . . .	260.30	223.70
Provisions & contingencies . . . . .	22.18	18.73
<b>Total . . . . .</b>	<b>283.44</b>	<b>243.66</b>
<b>Profit . . . . .</b>	<b>51.69</b>	<b>47.47</b>

**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 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
<b>Closing balance . . . . .</b>	<b>401.10</b>	<b>443.58</b>

## 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
<b>Total . . . . .</b>	<b>33,307.15</b>	<b>26,435.70</b>

### 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
<b>TOTAL . . . . .</b>	<b>464.00</b>	<b>344.80</b>

**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 borrowers/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

Sr. No.	Sector	Current Year			Previous year		
		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
<b>A</b>	<b>Priority Sector . . . . .</b>						
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
	<b>Sub-total (A) . . . . .</b>	<b>339,567.89</b>	<b>24,222.56</b>	<b>7.13</b>	<b>294,903.84</b>	<b>20,206.32</b>	<b>6.85</b>
<b>B</b>	<b>Non Priority Sector . . . . .</b>						
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
	<b>Sub-total (B) . . . . .</b>	<b>1,169,931.93</b>	<b>73,950.24</b>	<b>6.32</b>	<b>1,040,519.86</b>	<b>36,519.02</b>	<b>3.51</b>
<b>C</b>	<b>Total (A+B). . . . .</b>	<b>1,509,499.82</b>	<b>98,172.80</b>	<b>6.50</b>	<b>1,335,423.70</b>	<b>56,725.34</b>	<b>4.25</b>

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
<b>Current Year . . . . .</b>	NIL	NIL
<b>Previous Year . . . . .</b>	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		Previous Year	
		As Protection Buyer	As Protection Seller	As Protection Buyer	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.

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

	FY - 2015-16		Q4 - 2015-16					
	Total Unweighted Value (Avg)	Total Weighted Value(Avg)	Total Unweighted Value (Avg)	Total Weighted Value (Avg)				
<b>LCR COMPONENTS</b>								
<b>HIGH QUALITY LIQUID ASSETS (HQLA)</b>								
1	Total High Quality Liquid Assets (HQLA) . . . . .		239,970	250,927				
<b>CASH OUTFLOWS</b>								
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	<b>TOTAL CASH OUTFLOWS . . . . .</b>				<b>2,252,774</b>	<b>468,151</b>	<b>2,385,112</b>	<b>485,063</b>
<b>CASH INFLOWS</b>								
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	<b>TOTAL CASH INFLOWS . . . . .</b>				<b>176,938</b>	<b>149,184</b>	<b>183,918</b>	<b>156,437</b>
13	<b>TOTAL HQLA . . . . .</b>					<b>239,970</b>		<b>250,927</b>
14	<b>TOTAL NET CASH OUTFLOWS . . . . .</b>					<b>318,967</b>		<b>328,626</b>
15	<b>LIQUIDITY COVERAGE RATIO (%) . . . . .</b>					<b>75.23%</b>		<b>76.36%</b>

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	
<u>LCR COMPONENTS</u>	<u>Total Unweighted Value (Average)</u>	<u>Total Weighted Value (Average)</u>	
<b>HIGH QUALITY LIQUID ASSETS (HQLA)</b>			
1	Total High Quality Liquid Assets (HQLA) . . . . .		325,539
<b>CASH OUTFLOWS</b>			
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	<b>TOTAL CASH OUTFLOWS . . . . .</b>	<b>3,021,560</b>	<b>621,395</b>
<b>CASH INFLOWS</b>			
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	<b>TOTAL CASH INFLOWS . . . . .</b>	<b>242,004</b>	<b>199,784</b>
13	<b>TOTAL HQLA . . . . .</b>		<b>325,539</b>
14	<b>TOTAL NET CASH OUTFLOWS . . . . .</b>		<b>421,611</b>
15	<b>LIQUIDITY COVERAGE RATIO (%) . . . . .</b>		<b>77.21%</b>

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.

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS  
(UNCONSOLIDATED) FOR THE YEAR ENDED MARCH 31, 2015**

**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, 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 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 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: | <ul style="list-style-type: none"> <li>i. A general provision of 15% on the total outstanding;</li> <li>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);</li> <li>iii. Unsecured Exposure in respect of infrastructure advances where certain safeguards such as escrow accounts are available - 20%.</li> </ul> |
| Doubtful Assets:    |  |
| - Secured portion:  | <ul style="list-style-type: none"> <li>i. Upto one year — 25%</li> <li>ii. One to three years — 40%</li> <li>iii. More than three years — 100%</li> </ul>  |
| - 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. Effectiveness of hedge is established at the inception of Contracts and periodically thereafter.
- 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 & ATM	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	—	100% depreciated in the year of purchase
4	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 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 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 <rs> 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 joiners 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/virtually certain.

## **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.

**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 2015	As at 31st March 2014
(i)	Common Equity Tier 1 Capital Ratio (%)		N.A.
(ii)	Tier 1 capital ratio (%)	10.10%	9.98 %
(iii)	Tier 2 capital ratio (%)	2.69%	2.98 %
(iv)	Total Capital Ratio (%)	12.79%	12.96 %

##### AS PER BASEL III

Sr. No.	Items	As at 31st March 2015	As at 31st March 2014
(i)	Common Equity Tier 1 Capital Ratio (%)	9.31%	9.59 %
(ii)	Tier 1 capital ratio (%)	9.60%	9.72 %
(iii)	Tier 2 capital ratio (%)	2.40%	2.72 %
(iv)	Total Capital Ratio (%)	12.00%	12.44 %
(v)	Percentage of the Shareholding of Government of India	58.60 %	58.60 %
(vi)	Number of Shares held by Government of India*	4,37,45,98,250	4,37,45,98,250
(vii)	Amount of Equity Capital raised	2,970.00**	10,031.65
(viii)	Amount of Additional Tier 1(AT 1) capital raised of which		
a)	PNCPS:	—	—
b)	PDI:	—	—
(ix)	Amount of Tier 2 capital raised of which		
a)	Debt Capital instruments:	—	2,000
b)	Preference Share Capital Instruments: {Perpetual Cumulative Preference Shares (PCPS)/Redeemable Non-cumulative Preference Shares (RNCPS)/Redeemable Cumulative Preference Shares (RCPS)}	—	—

\* The face value of shares of the Bank was split from ₹ 10 per share to ₹ 1 per share w.e.f. 22.11.2014 (Record Dated 21.11.2014)

\*\* Shares allotted on 1st April 2015 (presently considered under AT 1)

##### 2. Share Capital

- a) During the year, the Bank received application money of ₹ 2,970.00 crores from Government of India against preferential issue of 10,04,77,012 equity shares of ₹ 1 each to Government of India, on 31.03.2015 including share premium of ₹ 2,959.95 crores. The equity shares were allotted on 01.04.2015.

- b) In terms of the provisions of Section 4 of the State Bank of India Act, 1955, the Central Board of the Bank at its meeting held on September 24, 2014 had considered and approved reduction of the face value of equity shares of the Bank from ₹ 10 per share to ₹ 1 per share and to increase the number of issued shares in proportion thereof. The share split was done on November 21, 2014.
- c) The Bank has kept in abeyance the allotment of 8,30,750 (Previous Year 83,075 Equity Shares of ₹ 10 each) Equity Shares of ₹ 1 each issued as a part of Rights issue - 2008, since they are subject to title disputes or are subjudice.
- d) Expenses in relation to the issue of shares: Nil (Previous Year ₹ 25.62 crores) debited to Share Premium Account.

### 3. INNOVATIVE PERPETUAL DEBT INSTRUMENTS (IPDI)

#### A. Foreign

The details of IPDI issued in foreign currency, which qualify for Hybrid Tier I Capital and outstanding are as under:

₹ In crores					
Particulars	Date of Issue	Tenor	Amount	Equivalent ₹ as on 31st March 2015	Equivalent ₹ as on 31st March 2014
Bond issued under the MTN . . . . .					
Programme - 12th series* . . . . .	15.02.2007	Perpetual Non call 10.25 years	USD 400 million	2,500.00	2,396.60
Bond issued under the MTN . . . . .					
Programme - 14th series# . . . . .	26.06.2007	Perpetual Non call 10 yrs 1day	USD 225 million	1,406.25	1,348.09
			USD 625 million		
Total . . . . .				3,906.25	3,744.69

\* 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

The details of outstanding domestic IPDIs are as under:-

₹ 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 2005 (Lower Tier II) . . . . .	3,283.00	05.12.2005 05.05.2015	7.45	113
2	SBI NON CONVERTIBLE (Private placement) Bonds 2006 (Upper Tier II) . . . . .	2,327.90	05.06.2006 05.06.2021	8.80	180
3	SBI NON CONVERTIBLE (Private placement) Bonds 2006 (II) (Upper Tier II) . . . . .	500.00	06.07.2006 06.07.2021	9.00	180
4	SBI NON CONVERTIBLE (Private placement) Bonds 2006 (III) (Upper Tier II) . . . . .	600.00	12.09.2006 12.09.2021	8.96	180
5	SBI NON CONVERTIBLE (Private placement) Bonds 2006 (IV) (Upper Tier II) . . . . .	615.00	13.09.2006 13.09.2021	8.97	180
6	SBI NON CONVERTIBLE (Private placement) Bonds 2006 (V) (Upper Tier II) . . . . .	1,500.00	15.09.2006 15.09.2021	8.98	180
7	SBI NON CONVERTIBLE (Private placement) Bonds 2006 (VI) (Upper Tier II) . . . . .	400.00	04.10.2006 04.10.2021	8.85	180
8	SBI NON CONVERTIBLE (Private placement) Bonds 2006 (VII) (Upper Tier II) . . . . .	1,000.00	16.10.2006 16.10.2021	8.88	180
9	SBI NON CONVERTIBLE (Private placement) Bonds 2006 (VIII) (Upper Tier II) . . . . .	1,000.00	17.02.2007 17.02.2022	9.37	180
10	SBI NON CONVERTIBLE (Private placement) Bonds 2006 (IX) (Lower Tier II) . . . . .	1,500.00	28.03.2007 27.06.2016	9.85	111

Sr. No.	Nature Of Bonds	Principal Amount	Date Of Issue/Date Of Redemption	Rate Of Interest % P.A.	Maturity Period In Months
11	SBI NON CONVERTIBLE (Private placement) Bonds 2007-08 (I) (Upper Tier II) . . . . .	2,523.50	07.06.2007 07.06.2022	10.20	180
12	SBI NON CONVERTIBLE (Private placement) Bonds 2007-08 (II) (Upper Tier II) . . . . .	3,500.00	12.09.2007 12.09.2022	10.10	180
13	SBI NON CONVERTIBLE (Private placement) Bonds 2008-09 (I) (Upper Tier II) . . . . .	2,500.00	19.12.2008 19.12.2023	8.90	180
14	SBI NON CONVERTIBLE (Private placement) Bonds 2008-09(II) (Lower Tier II) . . . . .	1,500.00	29.12.2008 29.06.2018	8.40	114
15	SBI NON CONVERTIBLE (Private placement) Bonds 2008-09 (III) (Upper Tier II) . . . . .	2,000.00	02.03.2009 02.03.2024	9.15	180
16	SBI NON CONVERTIBLE (Private placement) Bonds 2008-09 (IV) (Lower Tier II) . . . . .	1,000.00	06.03.2009 06.06.2018	8.95	111
17	SBI NON CONVERTIBLE (Private placement) Bonds 2008-09 (V) (Upper Tier II) . . . . .	1,000.00	06.03.2009 06.03.2024	9.15	180
18	SBI NON CONVERTIBLE (Private placement) Bonds 2005-06 SBS (Series I)(Lower Tier II) .	200.00	09.03.2006 09.06.2015	8.15	111
19	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
20	SBI NON CONVERTIBLE (Private placement) Bonds 2005-06 SBIN (Series II) (Lower Tier II) . . . . .	140.00	29.09.2005 29.09.2015	7.45	120
21	SBI NON CONVERTIBLE (Private placement) Bonds 2005-06 SBIN (Series III) (Lower Tier II) . . . . .	110.00	28.03.2006 28.03.2016	8.70	120
22	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
23	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
24	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
25	SBI Public Issue of Lower Tier II Non-Convertible Bonds 2010 (Series I) . . . . .	133.08	04.11.2010 04.11.2020	9.25	120
26	SBI Public Issue of Lower Tier II Non-Convertible Bonds 2010 (Series II) . . . . .	866.92	04.11.2010 04.11.2025	9.50	180
27	SBI Public Issue of Lower Tier II Non-Convertible Bonds 2011 Retail (Series 3) . . . .	559.40	16.03.2011 16.03.2021	9.75	120
28	SBI Public Issue of Lower Tier II Non-Convertible Bonds 2011 Non Retail (Series 3).	171.68	16.03.2011 16.03.2021	9.30	120
29	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
30	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
31	SBI NON CONVERTIBLE (Private Placement) Bonds 2013-14 (Tier II) . . . . .	2,000.00	02.01.2014 02.01.2024	9.69	120
TOTAL		36,471.40			

## 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 2015	As at 31st March 2014	
1.	Value of Investments		
i)	Gross value of Investments		
	(a) In India . . . . .	4,64,903.63	3,75,190.53
	(b) Outside India . . . . .	30,603.67	25,156.85
ii)	Provisions for Depreciation		
	(a) In India . . . . .	233.25	650.60
	(b) Outside India . . . . .	246.65	897.21
iii)	Net value of Investments		
	(a) In India . . . . .	4,64,670.38	3,74,539.93
	(b) Outside India . . . . .	30,357.02	24,259.64
2.	Movement of provisions held towards depreciation on investments		
i)	Balance at the beginning of the year . . . . .	1,547.81	1,098.44
ii)	Add: Provisions made during the year . . . . .	168.29	1,337.20
iii)	Less: Provision utilised during the year . . . . .	511.13	151.90
iv)	Add: Foreign Exchange revaluation adjustment . . . . .	33.29	38.02
iv)	Less: Write back of excess provision during the year. .	758.36	773.95
v)	Balance at the end of the year . . . . .	479.90	1,547.81

### Notes:

- a. Investments in Government Securities is net of ₹ 36,761 crores (Previous Year ₹ 25,852 crores )utilised under Liquidity Adjustment Facility (LAF).
- b. Securities amounting to ₹ 13,779.33 crores (Previous Year ₹ 6,587.88 crores) are kept as margin with Clearing Corporation of India Limited/NSCCL/MCX/USEIL towards Securities Settlement.
- c. During the year the Bank infused additional capital in its subsidiaries viz. i) State Bank of Travancore ₹ 385.00 crores (75.01% to 78.91%), ii) SBI General Insurance Company Limited ₹ 310.80 crores (remained at 74%), iii) State Bank of Patiala ₹ 752.00 crores ( remained at 100%) and iv) SBI (Mauritius) Ltd ₹ 1.97 crores (96.60% to 96.36%)
- d. The Bank has invested a further sum of ₹ 379.26 crores in State Bank of Travancore against Rights Issue which is pending allotment on 31.03.2015.
- e. The Bank has invested a sum of ₹ 161.91 crores in PT Bank SBI Indonesia in December 2014 which is pending allotment as on 31st March 2015.

## 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 2015
<b>Securities sold under repos</b>				
i. Government Securities . . . . .	—	54,102.00	9,789.59	37,603.23
	(—)	(60,000.00)	(19,082.92)	(54,102.00)
ii. Corporate Debt Securities . . . . .	—	516.56	258.28	—
	(442.80)	(2,166.74)	(496.99)	(795.82)
<b>Securities purchased under reverse repos</b>				
i. Government Securities . . . . .	—	22,010.12	2,434.51	—
	(5.77)	(6,278.73)	(278.22)	(—)
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 Grade" Investment Securities *	Extent of "Unrated" Securities *	Extent of "Unlisted" Securities *
(i)	PSUs . . . . .	14,751.97	3,445.03	419.01	418.76	719.01
		(12,885.97)	(2,383.19)	(571.62)	(714.96)	(829.48)
(ii)	FIs. . . . .	15,395.58	8,484.47	—	—	200.00
		(11,488.61)	(2,377.99)	—	—	(200.00)
(iii)	Banks . . . . .	22,060.06	9,963.70	798.34	—	—
		(20,117.67)	(5,633.01)	(27.41)	(—)	(192.10)
(iv)	Private Corporates . . . . .	30,846.04	16,654.33	1,594.50	933.07	238.39
		(20,360.19)	(4,922.74)	(184.09)	(1,143.91)	(126.37)
(v)	Subsidiaries / Joint Ventures ** . . . . .	9,785.06	—	—	—	—
		(8,340.29)	—	—	—	—
(vi)	Others . . . . .	25,014.41	—	719.38	852.70	749.36
		(18,760.03)	—	(119.34)	(499.09)	(375.77)
(vii)	Provision held towards depreciation . . . . .	479.90	—	6.05	93.72	62.67
		(1547.81)	(—)	(—)	(337.13)	(—)
	Total . . . . .	1,17,373.22	38,547.53	3,525.18	2,110.81	1,844.09
		(90,404.95)	(15,316.93)	(902.46)	(2,020.83)	(1,723.72)

(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.

Others include an amount of ₹ 10,680.55 crores (Previous Year ₹ 11,321.50 crores) under RIDF Scheme of NABARD and ₹ 2,588.09 crores (Previous Year ₹ 1,141.60 crores) under Urban & Rural Housing Fund of NABARD.

#### b) Non Performing Non-SLR Investments

₹ In crores		
Particulars	Current Year	Previous Year
<b>Opening Balance</b> . . . . .	935.24	1042.49
Additions during the year . . . . .	48.11	206.11
Reductions during the year . . . . .	581.63	313.36
<b>Closing balance</b> . . . . .	401.72	935.24
<b>Total provisions held</b> . . . . .	394.17	892.29

#### 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 2015	As at 31st March 2014
i) The notional principal of swap agreements# . . . . .	92,965.61	1,53,015.27
ii) Losses which would be incurred if counterparties failed to fulfil their obligations under the agreements . . . . .	1,945.78	2,830.11
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 . . . . .	996.24	987.06

# IRS/FRA amounting to ₹ 14,072.53 crores (Previous Year ₹ 12,926.36 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 Security	19,014.13	888.23
2	Notional principal amount of exchange traded interest rate derivatives outstanding as on 31st March 2015		
	A Interest Rate Futures	Nil	Nil
	B 10 Year Government of India Security	2.00	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. Interest Rate Derivatives dealt by the Bank are rupee interest rate swaps, foreign currency interest rate swaps and forward rate agreements. 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 on balance sheet items. The Bank also deals in a mix of these generic instruments. The Bank has done Option deals and Structured Products with customers. 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. The Bank is in the process of shifting towards VAR based limits, in line with RBI guidelines. 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 2014-15.

- 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	4,450.61 <sup>@</sup>	9,989.90 <sup>@</sup>	69,056.07 <sup>#</sup>	60,742.05 <sup>#</sup>
(b) For trading*	2,42,870.49	4,85,254.19	62,128.01	92,273.20
(II) Marked to Market Positions				
(a) Asset	3,152.45	14,876.90	979.00	482.13
(b) Liability	2,280.85	18,761.24	667.47	256.11
(III) Credit Exposure	11,206.42	27,578.81	3,774.49	3,907.81
(IV) Likely impact of one percentage change in interest rate (100* PV01)				
(a) on hedging derivatives	0.02	0.05	(92.42) <sup>#</sup>	(128.55)
(b) on trading derivatives	2.88	10.53	24.44	1.02
(V) Maximum and Minimum of 100* PV 01 observed during the year				
(a) on hedging				
- Maximum	0	0.08	-79.11	49.11
- Minimum	-0.03	0.00	-88.24	(130.06)
(b) on trading				
- Maximum	6.22	16.49	0.38	59.00
- Minimum	0.039	(1.70)	0.2225	(22.16)

<sup>@</sup> The swaps amounting to ₹ 8,486.92 crores (Previous Year ₹ 8,040.52 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.

<sup>#</sup> IRS/FRA amounting to ₹ 14,072.53 crores (Previous Year ₹ 12,926.36 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.

<sup>\*</sup> The forward contract deals with our own Foreign Offices are not included. Currency Derivatives — ₹ 7,757.17 crores (Previous Year ₹ 531.58 crores) and Interest Rate Derivatives - ₹ 62.39 crores (Previous Year ₹ 53.99 crores)

1. The outstanding notional amount of derivatives done between Global Markets Unit and International Banking Group as on 31st March 2015 amounted to ₹ 30,379.01 crores (Previous Year ₹ 21,552.45 crores) and the derivatives done in-between SBI Foreign Offices as on 31st March 2015 amounted to ₹ 14,995.17 crores (Previous Year ₹ 29,754.93 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 2015 amounted to ₹ 1,29,113.66 crores (Previous Year ₹ 74,877.22 crores).

## 18.4. Asset Quality

### a) Non-Performing Assets

		₹ In crores	
Particulars	As at 31st March 2015	As at 31st March 2014	
i) Net NPAs to Net Advances (%) . . . . .	2.12%	2.57%	
ii) Movement of NPAs (Gross)			
(a) Opening balance . . . . .	61,605.35	51,189.39	
(b) Additions (Fresh NPAs) during the year . . . . .	29,435.02	41,216.67	
Sub-total (I) . . . . .	91,040.37	92,406.06	
Less: . . . . .			
(c) Reductions due to upgradations during the year . .	3,776.15	10,183.27	
(d) Reductions due to recoveries (Excluding recoveries made from upgraded accounts) . . . . .	9,235.42	7,734.94	
(e) Technical/ Prudential Write-offs . . . . .	Nil	Nil	
(f) Reductions due to Write-offs during the year . . .	21,303.46\$	12,882.50	
Sub-total (II) . . . . .	34,315.03	30,800.71	
(f) Closing balance (I-II) . . . . .	56,725.34	61,605.35	
iii) Movement of Net NPAs			
(a) Opening balance . . . . .	31,096.07	21,956.48	
(b) Additions during the year . . . . .	9,504.61	22,293.57	
(c) Reductions during the year . . . . .	13,010.10	13,153.98	
(d) Closing balance . . . . .	27,590.58	31,096.07	
iv) Movement of provisions for NPAs			
(a) Opening balance . . . . .	30,509.28	29,232.91	
(b) Provisions made during the year . . . . .	19,930.41	18,923.10	
(c) Write-off / write-back of excess provisions . . . . .	21,304.93	17,646.73	
(d) Closing balance . . . . .	29,134.76	30,509.28	

Opening and closing balances provision for NPAs include ECGC claims received and held pending adjustment of ₹ 69.30 crores (Previous Year ₹ 71.12 crores) and ₹ 62.64 crores (Previous Year ₹ 69.30 crores) respectively.

\$ Includes NPAs of ₹ 10,852.55 crores sold to ARCs for an aggregate consideration of ₹ 4,294.60 crores.

## b) Restructured Accounts

Sl. No.	Type of Restructuring		Under CDR Mechanism (1)					Under SME Debt Restructuring Mechanism (2)				
			Asset Classification					Asset Classification				
	Particulars	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	
1	Restructured Accounts as on April 1, 2014 (Opening position)	No. of Borrowers	110	13	40	3	166	483	35	78	9	605
			(105)	(10)	(30)	0	(145)	(326)	(51)	(127)	(3)	(507)
	Amount outstanding	21,134.61	836.09	5,066.44	499.74	27,536.88	3,834.26	251.71	1,209.96	86.17	5,382.10	
		(14914.32)	(586.44)	(2119.60)	0.00	(17620.36)	(2064.70)	(450.71)	(522.11)	(0.34)	(3037.86)	
Provision thereon	1,636.32	60.34	520.73	0.10	2,217.49	117.21	22.89	169.89	0.04	310.03		
	(1384.65)	(39.78)	(82.90)	0.00	(1507.33)	(106.89)	(66.20)	(52.92)	0.00	(226.01)		
2	Fresh Restructuring during the current FY	No. of Borrowers	47	4	8	—	59	97	29	20	1	147
			(48)	(6)	(7)	(1)	(62)	(254)	(24)	(62)	0	(340)
	Amount outstanding	8,208.93	839.32	648.19	—	9,696.44	1,616.65	194.15	364.74	1.14	2,176.68	
		(11870.52)	(691.25)	(867.57)	(57.43)	(13486.76)	(2656.82)	(207.91)	(703.13)	(48.70)	(3616.55)	
Provision thereon	664.08	90.44	14.81	—	769.33	82.76	6.98	2.67	—	92.40		
	(944.21)	(26.58)	(286.56)	(57.43)	(1314.78)	(75.20)	(19.05)	(98.34)	(-2.74)	(189.85)		
3	Upgradation to restructured standard category during current FY	No. of Borrowers	5	-2	-3	0	0	2	0	-2	0	0
			(1)	(2)	(-3)	(—)	(—)	(6)	(-4)	(-2)	(—)	(—)
	Amount outstanding	699.09	-38.09	-660.99	0.00	0.00	3.87	0.00	-3.87	0.00	0.00	
		(126.84)	(17.59)	(-144.43)	0.00	0.00	(50.25)	(-50.25)	(—)	(—)	(—)	
Provision thereon	29.74	-1.49	-28.26	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
	(0.58)	0.00	(-0.58)	(—)	(—)	(6.08)	(-6.08)	(—)	(—)	(—)		
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	-20	0	0	0	-20	-68	0	0	0	-68
			(-9)				(-9)	(-10)				(-10)
	Amount outstanding	-1,800.54	0.00	0.00	0.00	-1,800.54	-243.42	0.00	0.00	0.00	-243.42	
		(-388.15)				(-388.15)	(-35.76)				(-35.76)	
Provision thereon	-76.29	0.00	0.00	0.00	-76.29	-3.12	0.00	0.00	0.00	-3.12		
	(-15.61)				(-15.61)	(-0.02)				(-0.02)		
5	Downgradations of restructured accounts during current FY	No. of Borrowers	-16	-4	17	3	0	-90	39	43	8	0
			(-26)	0	(24)	(2)	(—)	(-23)	(-4)	(20)	(7)	(—)
	Amount outstanding	-2,725.70	-268.98	2,517.19	477.49	0.00	-1,177.97	23.53	904.13	250.32	0.00	
		(-4830.76)	(-441.39)	(4829.84)	(442.30)	(—)	(-418.37)	(-73.51)	(454.73)	(37.15)	(—)	
Provision thereon	-122.91	-12.37	87.62	47.66	0.00	-31.35	-10.32	24.32	17.35	0.00		
	(-353.14)	(-0.70)	(353.74)	(0.10)	(—)	(-49.08)	(-8.99)	(55.28)	(2.78)	(—)		
6	Write-offs of restructured accounts during current FY	No. of Borrowers	-5	-4	-15	-4	-28	-109	-13	-32	-7	-161
			(9)	(5)	(18)	0	(32)	(70)	(32)	(129)	(1)	(232)
	Amount outstanding	-437.08	-368.57	-2,534.90	-499.74	-3,840.28	-707.83	-100.36	-272.82	-252.35	-1,333.36	
		(558.17)	(17.79)	(2606.14)	(—)	(3182.10)	(483.36)	(283.16)	(470.01)	(0.02)	(1236.55)	
Provision thereon	-283.90	-33.03	-411.51	-0.10	-728.53	-43.64	-9.59	-125.10	-17.39	-195.73		
	(324.37)	(5.31)	(201.89)	(57.43)	(589.00)	(21.86)	(47.29)	(36.66)	(—)	(105.81)		
7	TOTAL Restructured Accounts as on 31st March, 2015 (Closing 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	477.49	31,592.49	3,325.56	369.03	2,202.13	85.28	5,982.00	
		(21134.61)	(836.09)	(5066.44)	(499.74)	(27536.88)	(3834.26)	(251.71)	(1209.96)	(86.17)	(5382.10)	
Provision thereon	1,847.05	103.90	183.40	47.66	2,182.00	121.85	9.95	71.77	0.00	203.58		
	(1636.32)	(60.34)	(520.73)	(0.10)	(2217.49)	(117.21)	(22.89)	(169.89)	(0.04)	(310.03)		

Sl. No.	Type of Restructuring		Others					TOTAL				
	Asset Classification		Sub					Sub				
	Particulars	Standard	Standard	Doubtful	Loss	Total	Standard	Standard	Doubtful	Loss	Total	
1	Restructured Accounts as on April 1, 2014 (Opening position)	No. of Borrowers	3,771	1,088	750	77	5,686	4,364	1,136	868	89	6,457
			(5213)	(676)	(411)	(49)	(6349)	(5644)	(737)	(568)	(52)	(7001)
		Amount outstanding	18,081.62	1,829.00	5,942.25	165.81	26,018.68	43,050.49	2,916.80	12,218.66	751.72	58,937.66
		(15248.66)	(1914.98)	(5236.83)	(52.17)	(22452.63)	(32227.68)	(2952.13)	(7878.54)	(52.51)	(43110.86)	
		Provision thereon	662.79	173.87	283.00	3.66	1,123.32	2,416.31	257.10	973.62	3.81	3,650.84
			(487.40)	(81.20)	(742.99)	(3.55)	(1315.13)	(1978.94)	(187.17)	(878.81)	(3.55)	(3048.47)
2	Fresh Restructuring during the current FY	No. of Borrowers	364	288	580	119	1,351	508	321	608	120	1,557
			(772)	(367)	(487)	(19)	(1645)	(1074)	(397)	(556)	(20)	(2047)
		Amount outstanding	14,711.51	374.93	1,343.34	469.19	16,898.97	24,537.09	1,408.40	2,356.27	470.33	28,772.09
		(10856.98)	(834.37)	(1270.04)	(64.97)	(13026.36)	(25384.32)	(1733.52)	(2840.73)	(171.10)	(30129.68)	
		Provision thereon	713.32	16.16	302.36	47.07	1,078.90	1,460.15	113.58	319.84	47.07	1,940.63
			(464.39)	(168.76)	(378.88)	(1.17)	(1013.20)	(1483.81)	(214.39)	(763.78)	(55.86)	(2517.83)
3	Upgradation to restructured standard category during current FY	No. of Borrowers	7	-3	-3	-1	0	14	-5	-8	-1	0
			(66)	(-57)	(-9)	(-)	(-)	(73)	(-59)	(-14)	(-)	(-)
		Amount outstanding	273.81	-229.23	-0.05	-44.52	0.00	976.76	-267.32	-664.92	-44.52	0.00
		(288.60)	(-13.18)	(-275.43)	(-)	(-)	(465.69)	(-45.84)	(-419.86)	(-)	(-)	
		Provision thereon	0.00	1.17	-1.17	0.00	0.00	29.74	-0.32	-29.43	0.00	0.00
			(26.23)	(0.15)	(-26.08)	(-)	(-)	(32.89)	(-6.23)	(-26.66)	(-)	(-)
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	-385	0	0	0	-385	-473	0	0	0	-473
			(-74)				(-74)	(-93)				(-93)
		Amount outstanding	-1,301.54	0.00	0.00	0.00	-1,301.54	-3,345.50	0.00	0.00	0.00	-3,345.50
		(-3604.84)				(-3604.84)	(-4028.75)				(-4028.75)	
		Provision thereon	-34.20	0.00	0.00	0.00	-34.20	-113.61	0.00	0.00	0.00	-113.61
			(-5.48)			(-5.48)	(-21.11)				(-21.11)	
5	Downgradations of restructured accounts during current FY	No. of Borrowers	-1,112	465	302	345	0	-1,218	500	362	356	0
			(-950)	(583)	(351)	(16)	(-)	(-999)	(579)	(395)	(25)	(-)
		Amount outstanding	-2,429.70	-285.92	2,479.08	236.53	0.00	-6,333.37	-531.37	5,900.40	964.34	0.00
		(-2986.85)	(188.84)	(2616.86)	(181.15)	(-)	(-8235.98)	(-326.06)	(7901.43)	(660.61)	(-)	
		Provision thereon	-58.40	0.24	54.22	3.94	0.00	-212.65	-22.45	166.16	68.95	0.00
			(-88.79)	(-28.57)	(108.72)	(8.65)	(-)	(-491.01)	(-38.26)	(517.75)	(11.53)	(-)
6	Write-offs of restructured accounts during current FY	No. of Borrowers	-1,969	-565	-278	-77	-2,889	-2,083	-582	-325	-88	-3,078
			(1256)	(481)	(490)	(7)	(2234)	(1335)	(518)	(637)	(8)	(2498)
		Amount outstanding	-1,897.74	-917.96	-4,624.50	-521.74	-7,961.95	-3,042.65	-1,386.89	-7,432.22	-1,273.83	-13,135.59
		(1720.94)	(1096.01)	(2906.05)	(132.48)	(5855.47)	(2762.47)	(1396.96)	(5982.19)	(132.50)	(10274.12)	
		Provision thereon	-187.81	-178.86	-499.44	-48.93	-915.04	-515.35	-221.48	-1,036.05	-66.43	-1,839.30
			(195.76)	(47.36)	(946.72)	(9.69)	(1199.54)	(541.99)	(99.96)	(1185.28)	(67.12)	(1894.36)
7	TOTAL Restructured Accounts as on 31st March, 2015 (Closing Position)	No. of Borrowers	676	1,273	1,351	463	3,763	1,112	1,370	1,505	476	4,463
			(3771)	(1088)	(750)	(77)	(5686)	(4364)	(1136)	(868)	(89)	(6457)
		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
		(18081.62)	(1829.00)	(5942.25)	(165.81)	(26018.68)	(43050.49)	(2916.79)	(12218.66)	(751.72)	(58937.66)	
		Provision thereon	1,095.69	12.58	138.97	5.73	1,252.98	3,064.59	126.43	394.14	53.39	3,638.56
			(688.00)	(173.87)	(257.78)	(3.66)	(1123.32)	(2441.53)	(257.10)	(948.40)	(3.81)	(3650.84)

Note:

1. ₹ 6,986.70 crores has been additionally sanctioned to existing restructured borrowers during the year.
2. Increase in outstanding of ₹ 3,491.65 crores included in Fresh Additions
3. Closure of ₹ 3,794.15 crores and decrease in Outstanding of ₹ 3,827.03 crores is included in Write off.
4. 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 . . . . .	5,904	255
ii) Aggregate value (net of provisions) of accounts sold to SC/RC . . . . .	6,981.42	1,487.52
iii) Aggregate consideration* . . . . .	4,406.07	1,604.92
iv) Additional consideration realized in respect of accounts transferred in earlier years . . . . .	—	—
v) Aggregate gain /(loss) over net book value # . . . . .	(2,575.35)	117.40

\* SRs received as part of considerations have been recognised at lower of Net book Value/ Face Value price as per RBI Guidelines.

# Includes interest recognised amounting to ₹ 7.52 crores.

e) **Details of Investments in Security Receipts against NPAs sold to Securitisation Company (SC) / Reconstruction Company (RC)**

₹ In crores

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	
	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year
Book Value of Investments in Security Receipts as on 31st March 2015 . . . .	1,427.26	4,703.28	29.37	30.07	1,456.63	4,733.35
Book Value of Investments in Security Receipts made during the year . . .	1,311.90	3,337.48	0.98	2.05	1,312.88	3,339.53

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 2015
Excess Provision reversed to P&L Account in case of Sale of NPAs . . . . .	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 . . . . .	1,825	236
2) Aggregate outstanding . . . . .	10,852.55	3,725.90
3) Aggregate consideration received . . . . .	4,294.60	1,672.98

i) **Provision on Standard Assets**

The Provision on Standard Assets held by the Bank as on 31st March 2015 is as under:

₹ In crores

Particulars	As at 31st March 2015	As at 31st March 2014
Provision towards Standard Assets . . . . .	9,018.36	6,575.43

j) **Business Ratios**

Particulars	Current Year	Previous Year
i. Interest Income as a percentage to Working Funds . . . . .	7.61%	7.57%
ii. Non-interest income as a percentage to Working Funds . . . . .	1.13%	1.03%
iii. Operating Profit as a percentage to Working Funds . . . . .	1.94%	1.78%
iv. Return on Assets* . . . . .	0.68%	0.65%
v. Business (Deposits plus advances) per employee (₹ in crores). . . . .	12.34	10.64
vi. Profit per employee (₹ in thousands) . . . . .	602.00	485.47

\* (on net-assets basis)



**k) Asset Liability Management: Maturity pattern of certain items of assets and liabilities as at 31st March 2015**

₹ 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 . . . . .	57,851.81	26,454.56	18,078.37	26,277.89	93,336.98	1,39,455.40	2,28,347.53	3,74,749.76	1,68,526.42	4,43,714.53	15,76,793.25
	(79,195.61)	(31,805.04)	(25,840.40)	(26,421.54)	(88,873.24)	(1,04,788.39)	(1,88,422.31)	(2,92,956.16)	(1,48,532.17)	(4,07,573.64)	(13,94,408.50)
Advances . . . . .	93,953.48	6,324.43	11,181.43	16,981.77	68,614.55	73,835.91	85,919.15	6,42,058.59	1,27,338.29	1,73,818.79	13,00,026.39
	(1,29,202.87)	(7,791.49)	(13,189.69)	(7,071.30)	(41,231.15)	(42,066.55)	(68,304.91)	(5,60,674.65)	(1,30,009.54)	(2,10,286.57)	(12,09,828.72)
Investments . . . . .	0.00	829.89	3,679.12	6,646.84	17,213.44	15,488.30	22,612.72	69,509.35	82,072.36	2,76,975.38	4,95,027.40
	(32.25)	(219.80)	(138.78)	(7,597.95)	(15,528.10)	(5,819.14)	(17,899.02)	(52,850.51)	(81,912.51)	(2,16,801.51)	(3,98,799.57)
Borrowings . . . . .	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	2,05,150.29
	(1,573.81)	(12,195.05)	(5,335.61)	(5,803.97)	(33,984.67)	(21,323.88)	(27,551.44)	(23,574.78)	(19,617.62)	(32,170.05)	(1,83,130.88)
Foreign Currency Assets # . . . . .	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	2,93,576.53
	(91,335.00)	(1,933.42)	(2,066.88)	(4,470.93)	(15,883.68)	(11,369.86)	(17,891.03)	(44,682.10)	(40,029.55)	(37,356.73)	(2,67,019.18)
Foreign Currency Liabilities \$ . . . . .	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	2,91,291.67
	(27,799.57)	(13,613.23)	(3,956.01)	(9,385.88)	(47,340.79)	(20,377.06)	(46,983.85)	(49,453.36)	(32,992.43)	(2,274.94)	(254,177.12)

# 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 2014)

## 18.5. Exposures

The Bank is lending to sectors, which are sensitive to asset price fluctuations.

### a) Real Estate Sector

Particulars	₹ In crores	
	As at 31st March 2015	As at 31st March 2014
(I) Direct exposure		
i) Residential Mortgages	1,83,082.23	1,56,145.83
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented.	1,83,082.23	1,56,145.83
Of which (i) Individual housing loans up to Rs. 25 lakh in Metropolitan centres (Population < 10 lacs) and Rs. 15 lakh in other centres for purchase/construction of dwelling unit per family.	94,330.55	69,270.80
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.	20,761.65	17,503.82
iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures:	614.48	714.76
a) Residential	603.28	453.77
b) Commercial Real Estate	11.20	260.99
(II) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	18,930.16	16,799.84
<b>Total</b>	<b>2,23,388.52</b>	<b>1,91,164.25</b>

b) Capital Market

Particulars	₹ In crores	
	As at 31st March 2015	As at 31st March 2014
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.	3,727.32	3,087.02
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.	8.11	5.04
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.	7,358.66	3,191.71
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.	308.13	133.55
5) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers	26.87	20.47
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.	285.76	420.77
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.	0.34	0.41
10) Exposures to Venture Capital Funds (both registered and unregistered)	1,873.05	1,172.90
<b>Total Exposure to Capital Market</b>	<b>13,588.24</b>	<b>8,031.87</b>

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 crores

Risk Category	Exposure (Net)		Provision held	
	As at 31st March 2015	As at 31st March 2014	As at 31st March 2015	As at 31 <sup>st</sup> March 2014
Insignificant.....	1.68	Nil	Nil	Nil
Very Low .....	52,107.06	38,952.89	56.89	Nil
Low.....	883.78	240.69	Nil	Nil
Low Medium .....	26,774.43	31,557.39	Nil	21.98
Medium .....	3,148.82	3,413.04	Nil	Nil
High .....	5,790.96	1,085.53	Nil	Nil
Very High .....	2,296.82	1,938.39	Nil	Nil
Restricted .....	3,390.41	2,397.95	Nil	Nil
Off-Credit .....	0	Nil	Nil	Nil
<b>Total .....</b>	<b>94,393.96</b>	<b>79,585.88</b>	<b>56.89</b>	<b>21.98</b>

d) **Single Borrower and Group Borrower exposure limits exceeded by the Bank**

The Bank had taken single borrower exposure in excess of prudential limit 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 2015
Indian Oil Corporation Limited (IOCL)\$ .....	35,037.66	40,019.17	April 2014 to Sept. 2014	17,499.24
Bharat Heavy Electricals Limited (BHEL) .....	21,022.60	25,012.78	June 2014 to March 2015	20,694.75
Reliance Industries Limited .....	21,022.60	24,164.15	June 2014 to March 2015	17,404.42

Note :-

No breaches of Prudential Norms since Exposures on IOCL, BHEL and RIL are within the discretion given to Banks by RBI for taking additional 5% exposure over the prudential limits.

\$ RBI has exempted exposure of USD 1 Billion ( ₹ 6,250 crores) taken on IOCL from prudential exposure norms, which is included in above exposure. After excluding . ₹ 6,250 crores, exposure on IOCL is ₹ 34,325 crores, 24.49% of bank's capital fund.

Exposures on all the Borrower Groups were within the Prudential Norms during the year (2014-15)

**e) Unsecured Advances**

	₹ In crores	
	As at 31st March 2015	As at 31st March 2014
<b>Particulars.</b> . . . . .		
a) Total Unsecured Advances of the bank . . . . .	2,59,109.61	1,99,057.88
i) Of which amount of advances outstanding against charge over intangible securities such as rights, licences, authority etc. . .	5,832.72	5,654.07
ii) The estimated value of such intangible securities (as in (i) above). . . . .	6,005.01	24,391.94

**18.6. Miscellaneous**

**a) Disclosure of Penalties imposed by RBI**

Nil (Previous year ₹ 3.00 crores)

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) Effect of Changes in Accounting Policies**

**Depreciation Policy on Fixed Assets**

During the year the method of depreciation on Fixed Assets has been changed to straight line method (SLM), on the basis of useful life determined on technical evaluation, as against WDV method with Income Tax Rates being used hitherto. Consequent to the change, depreciation of prior period amounting to ₹ 465.22 crores has been found to be in excess and the depreciation charged for the year is higher by ₹ 44.46 crores. As a result the fixed assets and profit before tax are higher by ₹ 420.76 crores.

**b) Employee Benefits**

**i. Defined Benefit Plans**

**1.(a) 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

Particulars	Pension Plans		Gratuity Plan	
	Current Year	Previous Year	Current Year	Previous Year
<b>Change in the present value of the defined benefit obligation</b>				
Opening defined benefit obligation at 1st April 2014 .	45,236.99	39,564.21	6,838.07	7,050.57
Current Service Cost . . . . .	897.53	872.37	108.88	151.79
Interest Cost . . . . .	4,193.47	3,362.96	639.36	581.67
Past Service Cost (Vested Benefit) . . . . .	—	—	—	—
Actuarial losses / (gains) . . . . .	4,537.90	4,200.33	533.18	(135.41)
Benefits paid . . . . .	(1,346.63)	(58.67)	(937.14)	(810.55)
Direct Payment by Bank . . . . .	(1,903.22)	(2,704.21)	—	—
Closing defined benefit obligation at 31st March 2015 . . . . .	51,616.04	45,236.99	7,182.35	6,838.07
<b>Change in Plan Assets</b>				
Opening fair value of Plan Assets as at 1st April 2014 . .	42,277.01	35,017.57	7,090.59	6,549.31
Expected Return on Plan Assets . . . . .	3,678.10	3,011.51	616.88	569.79
Contributions by employer . . .	2493.62	3,971.20	233.88	758.17
Benefits Paid . . . . .	(1,346.63)	(58.67)	(937.14)	(810.55)
Actuarial Gains / (Loss) on plan Assets . . . . .	2,285.87	335.40	106.04	23.87
Closing fair value of plan assets as at 31st March 2015 . . . . .	49,387.97	42,277.01	7,110.25	7,090.59
<b>Reconciliation of present value of the obligation and fair value of the plan assets</b>				
Present Value of Funded obligation at 31st March 2015 . . . . .	51,616.04	45,236.99	7,182.35	6,838.07
Fair Value of Plan assets at 31st March 2015 . . . . .	49,387.97	42,277.01	7,110.25	7,090.59
Deficit/(Surplus) . . . . .	2,228.07	2,959.98	72.10	(252.52)
Unrecognised Past Service Cost ( Vested) Closing Balance . . . . .	—	—	—	—
Unrecognised Transitional Liability Closing Balance . . .	—	—	—	—
Net Liability/(Asset) . . . . .	2,228.07	2,959.98	72.10	(252.52)

Particulars	Pension Plans		Gratuity Plan	
	Current Year	Previous Year	Current Year	Previous Year
<b>Amount Recognised in the Balance Sheet</b>				
Liabilities . . . . .	51,616.04	45,236.99	7,182.35	6,838.07
Assets . . . . .	49,387.97	42,277.01	7,110.25	7,090.59
Net Liability / (Asset) recognised in Balance Sheet . . . . .	2,228.07	2,959.98	72.10	(252.52)
Unrecognised Past Service Cost (Vested) Closing Balance . . . . .	—	—	—	—
Unrecognised Transitional Liability Closing Balance . . . . .	—	—	—	—
Net Liability/(Asset) . . . . .	2,228.07	2,959.98	72.10	(252.52)
<b>Net Cost recognised in the profit and loss account</b>				
Current Service Cost . . . . .	897.53	872.37	108.88	151.79
Interest Cost . . . . .	4,193.47	3,362.96	639.36	581.67
Expected return on plan assets . . . . .	(3,678.10)	(3,011.51)	(616.88)	(569.79)
Past Service Cost (Amortised) Recognised . . . . .	—	—	—	200.00
Past Service Cost (Vested Benefit) Recognised . . . . .	—	—	—	—
Net actuarial losses /(Gain) recognised during the year . . . . .	2,252.03	3,864.93	427.14	(159.28)
Total costs of defined benefit plans included in Schedule 16 "Payments to and provisions for employees" . . . . .	3,664.93	5,088.75	558.50	204.39
<b>Reconciliation of expected return and actual return on Plan Assets</b>				
Expected Return on Plan Assets . . . . .	3,678.10	3,011.51	616.88	569.79
Actuarial Gain/ (loss) on Plan Assets . . . . .	2,285.87	335.40	106.04	23.87
Actual Return on Plan Assets . . . . .	5,963.97	3,346.91	722.92	593.66
<b>Reconciliation of opening and closing net liability/ (asset) recognised in Balance Sheet</b>				
Opening Net Liability/ (Asset) as at 1st April 2014 . . . . .	2,959.98	4,546.64	(252.52)	301.26
Expenses as recognised in profit and loss account . . . . .	3,664.93	5,088.75	558.50	204.39
Paid by Bank Directly . . . . .	(1,903.22)	(2,704.21)	—	—
Debited to Other Provision . . . . .	—	—	—	—
Recognised in Reserve . . . . .	—	—	—	—
Employer's Contribution . . . . .	(2,493.62)	(3,971.20)	(233.88)	(758.17)
Net liability/(Asset) recognised in Balance Sheet . . . . .	2,228.07	2,959.98	72.10	(252.52)



Investments under Plan Assets of Pension Fund & Gratuity Fund as on 31st March 2015 are as follows:

Category of Assets	Pension Fund	Gratuity Fund
	% of Plan Assets	% of Plan Assets
Central Govt. Securities . . . . .	32.53	24.34
State Govt. Securities . . . . .	22.45	17.66
Debt Securities, Money Market Securities and Bank Deposits . . . . .	41.15	32.54
Insurer Managed Funds . . . . .	—	22.23
Others . . . . .	3.87	3.23
Total . . . . .	100.00	100.00

**Principal actuarial assumptions**

Particulars	Pension Plans		Gratuity Plans	
	Current year	Previous year	Current year	Previous year
Discount Rate . . . . .	8.21%	9.27%	8.21%	9.35%
Expected Rate of return on Plan Asset . . . . .	8.70%	8.70%	8.70%	8.70%
Salary Escalation . . . . .	5.00%	5.00%	5.00%	5.00%

**Surplus/ Deficit in the Plan**

Amount recognized in the Balance Sheet	Gratuity Plan					
	Year ended 31-03-2010	Year ended 31-03-2011	Year ended 31-03-2012	Year ended 31-03-2013	Year ended 31-03-2014	Year ended 31-03-2015
Liability at the end of the year . . . . .	3,889.14	5,817.19	6,462.82	7,050.57	6,838.07	7,182.35
Fair value of Plan Assets at the end of the year . . . . .	3,811.28	4,102.25	5,251.79	6,549.31	7,090.59	7,110.25
Difference . . . . .	77.86	1,714.94	1,211.03	501.26	(252.52)	72.10
Unrecognised Past Service Cost . . . . .	—	400.00	300.00	200.00	—	—
Unrecognised Transition Liability . . . . .	—	—	—	—	—	—
Amount Recognized in the Balance Sheet . . . . .	77.86	1,314.94	911.03	301.26	(252.52)	72.10

**Experience adjustment**

Amount recognized in the Balance Sheet	Year ended 31-03-2010	Year ended 31-03-2011	Year ended 31-03-2012	Year ended 31-03-2013	Year ended 31-03-2014	Year ended 31-03-2015
On Plan Liability (Gain) /Loss . . . . .	(0.40)	879.37	367.64	459.56	210.19	(24.69)
On Plan Asset (Loss) /Gain . . . . .	7.89	1.94	32.58	62.46	23.87	106.04

## Surplus/Deficit in the plan

Amount recognized in the Balance Sheet	Pension					
	Year ended 31-03-2010	Year ended 31-03-2011	Year ended 31-03-2012	Year ended 31-03-2013	Year ended 31-03-2014	Year ended 31-03-2015
Liability at the end						
of the year . . . . .	21,715.61	33,879.30	36,525.68	39,564.21	45,236.99	51,616.04
Fair value of Plan						
Assets at the end						
of the year . . . . .	14,714.83	16,800.10	27,205.57	35,017.57	42,277.01	49,387.97
Difference . . . . .	7,000.78	17,079.20	9,320.11	4,546.64	2,959.98	2,228.07
Unrecognised Past						
Service Cost . . . . .	—	—	—	—	—	—
Unrecognised						
Transition						
Liability . . . . .	—	—	—	—	—	—
Amount						
Recognized in the Balance Sheet . . . . .	7,000.78	17,079.20	9,320.11	4,546.64	2,959.98	2,228.07

## Experience adjustment

On Plan Liability						
(Gain) /Loss . . . . .	5,252.37	1,188.70	1,677.80	345.90	7,709.67	1,732.86
On Plan Asset						
(Loss) /Gain . . . . .	233.12	282.65	130.16	419.58	335.40	2,285.87

- (b) 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.
- (c) During the year, the Bank has aligned its policy with regard to valuation of plan assets from Book Value to Fair Value in accordance with Accounting Standard 15 issued by ICAI. As a result of the change, the value of plan assets has increased by ₹ 2,069 crores in respect of Pension Fund and by ₹ 113.87 crores in respect of Gratuity Fund.

## 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. 2014-15.

The following table sets out the status of Provident Fund as per the actuarial valuation by the independent Actuary appointed by the Bank:-

Particulars	Provident Fund	
	Current Year	Previous Year
	₹ in crores	
<b>Change in the present value of the defined benefit obligation</b>		
Opening defined benefit obligation at 1st April 2014 . . . . .	21,804.39	20,742.83
Current Service Cost . . . . .	527.14	529.53
Interest Cost . . . . .	1869.09	1,838.65
Employee Contribution (including VPF) . . . . .	661.66	656.87
Actuarial losses/(gains) . . . . .	—	—
Benefits paid . . . . .	(2,363.77)	(1,963.49)
Closing defined benefit obligation at 31st March 2015 . . . . .	22,498.51	21,804.39
<b>Change in Plan Assets</b> . . . . .		
Opening fair value of Plan Assets as at 1st April 2014 . . . . .	22,366.42	21,223.41
Expected Return on Plan Assets . . . . .	1,869.09	1,838.65
Contributions . . . . .	1,188.80	1,186.40
Benefits Paid . . . . .	(2,363.77)	(1,963.49)
Actuarial Gains / (Loss) on plan Assets . . . . .	137.28	81.45
Closing fair value of plan assets as at 31st March 2015 . . . . .	23,197.82	22,366.42
<b>Reconciliation of present value of the obligation and fair value of the plan assets</b>		
Present Value of Funded obligation at 31st March 2015 . . . . .	22,498.51	21,804.39
Fair Value of Plan assets at 31st March 2015 . . . . .	23,197.82	22,366.42
Deficit/(Surplus) . . . . .	(699.31)	(562.03)
Net Asset not recognised in Balance Sheet . . . . .	699.31	562.03
<b>Net Cost recognised in the profit and loss account</b>		
Current Service Cost . . . . .	527.14	529.53
Interest Cost . . . . .	1869.09	1,838.65
Expected return on plan assets . . . . .	(1,869.09)	(1,838.65)
Interest shortfall reversed . . . . .	—	—
Total costs of defined benefit plans included in Schedule 16 "Payments to and provisions for employees" . . . . .	527.14	529.53
<b>Reconciliation of opening and closing net liability/ (asset) recognised in Balance Sheet</b>		
Opening Net Liability as at 1st April 2014 . . . . .	—	—
Expense as above . . . . .	527.14	529.53
Employer's Contribution . . . . .	(527.14)	(529.53)
Net Liability/(Asset) Recognized In the Balance Sheet . . . . .	—	—

Investments under Plan Assets of Provident Fund as on 31st March 2015 are as follows:

Category of Assets	Provident Fund
	% of Plan Assets
Central Govt. Securities . . . . .	40.62
State Govt. Securities . . . . .	18.88
Debt Securities, Money Market Securities and Bank Deposits . . .	0.14
Public and Private Sector Bonds . . . . .	36.05
Insurer Managed Funds . . . . .	—
Others . . . . .	4.31
Total . . . . .	100.00

Principal actuarial assumptions

Particulars	Provident Fund	
	Current year	Previous year
Discount Rate . . . . .	8.21%	9.35%
Guaranteed Return . . . . .	8.75%	8.75%
Attrition Rate . . . . .	2.00%	2.00%

**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. 2014-15, the Bank has contributed ₹ 145.51 crores (Previous Year ₹ 115.25 crores).

**iii. Other Long Term Employee Benefits**

Amount of ₹ 636.97 Crores (Previous Year (-) ₹ 164.29 Crores) is provided/ (written back) towards 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 long Term Employee Benefits during the year:

Sr. No.	Long Term Employee Benefits	₹ in crores	
		Current Year	Previous Year
1	Privilege Leave (Encashment) incl. leave encashment at the time of retirement . . . .	677.02	366.46
2	Leave Travel and Home Travel Concession (Encashment/Availment) . . . .	(51.00)	(33.11)
3	Sick Leave . . . . .	—	(392.42)
4	Silver Jubilee Award . . . . .	1.71	(22.99)
5	Resettlement Expenses on Superannuation . . . . .	6.22	(2.07)
6	Casual Leave . . . . .	—	(82.55)
7	Retirement Award . . . . .	3.02	2.39
	Total . . . . .	636.97	(164.29)

**c) 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
<u>Business Segment</u>	<u>Treasury</u>	<u>Corporate / Wholesale Banking</u>	<u>Retail Banking</u>	<u>Other Banking Operations</u>	<u>Total</u>
Revenue # . . . . .	41,095.95	61,445.90	71,248.38	—	1,73,790.23
	(34,763.95)	(54,180.43)	(65,543.48)	(—)	(1,54,487.86)
Unallocated Revenue # . . . . .					1,182.73
					(415.86)
Total Revenue . . . . .					1,74,972.96
					(1,54,903.72)
Result # . . . . .	7,554.38	-308.47	14,758.80	—	22,004.71
	(2800.61)	(884.27)	(15,762.74)	(—)	(19,447.62)
Unallocated Income(+) / Expenses(-) - net # . . . . .					-2,690.75
					(-3273.73)
Profit before tax # . . . . .					19313.96
					(16,173.89)
Tax # . . . . .					6,212.39
					(5,282.72)
Extraordinary Profit # . . . . .					—
					—
Net Profit # . . . . .					13,101.57
					(10,891.17)
Other Information:					
Segment Assets * . . . . .	5,12,933.07	7,83,222.15	7,35,200.07	—	20,31,355.29
	(4,23,098.66)	(7,07,907.27)	(6,45,978.57)	(—)	(17,76,984.50)
Unallocated Assets * . . . . .					16,724.51
					(15,763.79)
Total Assets* . . . . .					20,48,079.80
					(17,92,748.29)
Segment Liabilities * . . . . .	3,08,334.71	6,88,172.53	8,68,722.52	—	18,65,229.76
	(2,14,629.31)	(6,20,852.90)	(7,87,170.47)	(—)	(16,22,652.68)
Unallocated Liabilities* . . . . .					54,411.81
					(51,813.36)
Total Liabilities * . . . . .					19,19,641.57
					(16,74,466.04)

(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 # . . .	1,64,304.43	1,45,647.12	9,485.80	8,840.74	1,73,790.23	1,54,487.86
Result# . . . . .	17,746.10	16,377.14	4,258.61	3,070.48	22,004.71	19,447.62
Assets * . . . . .	17,47,311.56	15,25,258.51	3,00,768.24	2,67,489.78	20,48,079.80	17,92,748.29
Liabilities* . . .	16,18,873.33	14,06,976.26	3,00,768.24	2,67,489.78	19,19,641.57	16,74,466.04

# For the year ended 31st March 2015

\* As at 31st March 2015

### d) Related Party Disclosures:

#### 1. 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. State Bank of India (Canada)
3. State Bank of India (California)
4. Commercial Indo Bank Llc , Moscow
5. PT Bank SBI Indonesia
6. Nepal SBI Bank Ltd.
7. State Bank of India (Botswana) Ltd.



**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.

**iv. FOREIGN NON-BANKING SUBSIDIARIES**

1. SBICAP (UK) Ltd.
2. SBI Funds Management (International) Pvt. Ltd.
3. SBICAP (Singapore) Ltd.

**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. Marudhara Gramin Bank (upto 31.03.2014)
16. Rajasthan Marudhara Gramin Bank (formed on amalgamation of Marudhara Gramin Bank- sponsored by SBBJ and Mewar Aanchalik Gramin Bank sponsored by ICICI Bank limited w.e.f 1.4.2014)
17. Telangana Grameena Bank (erstwhile Deccan Grameena Bank) w.e.f. 20th Oct 2014
18. Kaveri Grameena Bank
19. 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 Hemant G. Contractor, Managing Director & Group Executive (International Banking) (upto 30.04.2014)
3. Shri A. Krishna Kumar
  - Managing Director & Group Executive (National Banking) (upto 16.04.2014)
  - Managing Director & Group Executive (International Banking) (additional charge of Managing Director & Group Executive (National Banking) (from 01.05.2014 to 16.07.2014)
  - Managing Director & Group Executive (International Banking) (17.04.2014 to 30.11.2014)
4. Shri S. Vishvanathan, Managing Director & Group Executive (Associates & Subsidiaries) (upto 30.04.2014)
5. Shri P. Pradeep Kumar
  - Managing Director & Group Executive (International Banking) (additional charge of Managing Director & Group Executive (Associates & Subsidiaries) (from 01.05.2014 to 16.07.2014)
  - Managing Director & Group Executive (Corporate Banking)
6. Shri V.G. Kannan, Managing Director & Group Executive (Associates & Subsidiaries) (from 17.07.2014)
7. Shri B. Sriram, Managing Director & Group Executive (National Banking) (from 17.07.2014)

## **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 crores

Particulars	Associates/ Joint Ventures	Key Management Personnel & their relatives	Total
<b>A. Outstanding as at 31st March</b>			
Borrowings . . . . .	—	—	—
	(—)	(—)	(—)
Deposit . . . . .	35.80	—	35.80
	(95.32)	(—)	(95.32)
Other Liabilities . . . . .	0.02	—	0.02
	(0.82)	(—)	(0.82)
Balance with Banks . . . . .	2.12	—	2.12
	(—)	(—)	(—)
Advance . . . . .	—	—	—
	(—)	(—)	(—)
Investment . . . . .	41.55	—	41.55
	(41.55)	(—)	(41.55)
Non-fund commitments (LCs/BGs) . . . . .	—	—	—
	(—)	(—)	(—)
<b>B. Maximum outstanding during the year</b>			
Borrowings . . . . .	—	—	—
	(—)	(—)	(—)
Deposit . . . . .	57.06	—	57.06
	(100.75)	(—)	(100.75)
Other Liabilities . . . . .	0.02	—	0.02
	(0.82)	(—)	(0.82)
Balance with Banks . . . . .	5.94	—	5.94
	(—)	(—)	(—)
Advance . . . . .	—	—	—
	(2.02)	(—)	(2.02)
Investment . . . . .	41.55	—	41.55
	(41.55)	(—)	(41.55)
Non-fund commitments (LCs/BGs) . . . . .	—	—	—
	(—)	(—)	(—)
<b>C. During the year ended 31st March</b>			
Interest Income . . . . .	—	—	—
	(0.02)	(—)	(0.02)
Interest expenditure . . . . .	2.78	—	2.78
	(4.00)	(—)	(4.00)
Income earned by way of dividend . . . . .	33.82	—	33.82
	(12.24)	(—)	(12.24)
Other Income . . . . .	—	—	—
	(—)	(—)	(—)
Other expenditure . . . . .	3.09	—	3.09
	(—)	(—)	(—)
Profit/(loss) on sale of land/building and other assets . . . . .	—	—	—
	(—)	(—)	(—)
Management contracts . . . . .	—	1.03	1.03
	(—)	(1.08)	(1.08)

Figures in brackets are for Previous Year

There are no materially significant related party transactions during the year.

e) **Liability for Operating Leases**

Premises taken on operating lease are given below:

₹ In crores

Particulars	As at	As at
	31st March 2015	31st March 2014
Not later than 1 year . . . . .	191.05	135.06
Later than 1 year and not later than 5 years . . . . .	674.79	434.85
Later than 5 years . . . . .	178.17	109.27
<b>Total*</b> . . . . .	1044.01	679.18
Amount of lease payments recognised in the P&L		
Account for the year . . . . .	1659.09	153.90

Operating leases primarily comprise office premises and staff residences, which are renewable at the option of the Bank.

\* In respect of Non-Cancellable leases only.

f) **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
<b>Basic and diluted</b>		
Number of Equity Shares outstanding at the beginning of the year . . . . .	746,573,092	6,840,339,710
Number of Equity Shares issued during the year . . . . .	0	625,391,210
Number of Equity Shares outstanding at the end of the year . . . . .	7,465,730,920	7,465,730,920
Weighted average number of equity shares used in computing basic earnings per share . . . . .	7,465,730,920	6,947,839,100
Weighted average number of shares used in computing diluted earnings per share . . . . .	7,466,006,190	6,947,839,100
Net profit (₹ In crores) . . . . .	13,101.57	10,891.17
Basic earnings per share (₹) . . . . .	17.55	15.68
Diluted earnings per share (₹) . . . . .	17.55	15.68
Nominal value per share (₹) . . . . .	1	1

\* The face value of shares of the Bank was split from ₹ 10 per share to ₹ 1 per share w.e.f. 22.11.2014. All the shares and per share information reflect the effect of the split for each period presented.

Diluted earnings per share is computed taking into consideration the amount received for equity shares allotted on 1st April 2015.

g) **Accounting for Taxes on Income**

i. Current Tax:-

During the year the Bank has debited to Profit & Loss Account ₹ 6,719.11 crores (Previous Year ₹ 4,359.74 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, ₹ 477.56 crores has been credited to Profit and Loss Account (Previous Year ₹ 1,055.25 crores debited) on account of deferred tax.

iii. The Bank has a net Deferred Tax Liability (DTL) of ₹ 1,987.14 crores (Previous Year net DTL of ₹ 2,837.83 Crores), which comprises of DTL of ₹ 2,353.12 crores included under 'Other Liabilities and Provisions' and Deferred Tax Assets (DTA) of ₹ 365.98 crores included under 'Other Assets'. The major components of DTA and DTL is given below:

Particulars	₹ In crores	
	As at 31st March 2015	As at 31st March 2014
<b>Deferred Tax Assets (DTA)</b>		
Provision for Defined Benefit Schemes on account of Wage Revision. . . . .	451.63	72.05
Provision for long term employee Benefits . . . . .	1,831.55	1,235.19
Provision/ Additional Provision on specified Restructured Standard Assets/Standard Assets over the specified RBI Prudential Norms . . . . .	1,132.65	516.43
Net DTAs on account of Foreign Offices . . . . .	364.19	511.82
<b>Total . . . . .</b>	<b>3,780.02</b>	<b>2,335.49</b>
<b>Deferred Tax Liabilities (DTL)</b>		
Depreciation on Fixed Assets . . . . .	155.22	8.56
Interest on securities* . . . . .	3,286.61	3,280.02
Special Reserve created u/s 36(1)(viii) of Income Tax Act 1961 . . . . .	2,325.33	1,884.74\$
<b>Total . . . . .</b>	<b>5,767.16</b>	<b>5,173.32</b>
<b>Net Deferred Tax Assets/(Liabilities) . . . . .</b>	<b>(1,987.14)</b>	<b>(2,837.83)</b>
* Includes ₹ 371.69 Crores transferred to Income Tax Account (Previous Year ₹ 336.62 Crores transferred to Income Tax Account).		
\$ Includes ₹ 1,525.13 Crores transferred from Revenue and Other reserves in accordance with RBI circular.		

**h) Investments in Jointly Controlled Entities**

Investments include ₹ 38.28 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. # . . . . .	0.78 (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, except additional investment made during the FY 2013-14. (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:

Particulars	₹ In crores	
	As at 31st March 2015	As at 31st March 2014
<b>Liabilities</b>		
Capital & Reserves . . . . .	159.14	130.61
Deposits . . . . .	—	—
Borrowings . . . . .	8.15	10.91
Other Liabilities & Provisions . . . . .	76.93	109.30
<b>Total</b> . . . . .	<b>244.22</b>	<b>250.82</b>
<b>Assets</b>		
Cash and Balances with RBI . . . . .	—	—
Balances with Banks and money at call and short notice . . . . .	96.36	111.79
Investments . . . . .	9.69	0.65
Advances . . . . .	—	—
Fixed Assets . . . . .	35.75	42.03
Other Assets . . . . .	102.42	96.35
<b>Total</b> . . . . .	<b>244.22</b>	<b>250.82</b>
Capital Commitments . . . . .		
Other Contingent Liabilities . . . . .	3.51	2.95
<b>Income</b>		
Interest earned . . . . .	6.09	6.13
Other income . . . . .	285.04	249.15
<b>Total</b> . . . . .	<b>291.13</b>	<b>255.28</b>
<b>Expenditure</b>		
Interest expended . . . . .	1.23	1.52
Operating expenses . . . . .	223.70	198.54
Provisions & contingencies . . . . .	18.73	13.97
<b>Total</b> . . . . .	<b>243.66</b>	<b>214.03</b>
<b>Profit</b> . . . . .	<b>47.47</b>	<b>41.25</b>

i) **Impairment of Assets**

In the opinion of the Bank's Management, there is no impairment to the assets during the year to which Accounting Standard 28 — "Impairment of Assets" applies.



**j) Description of Contingent Liabilities (AS-29)**

<b>Sr. No.</b>	<b>Particulars</b>	<b>Brief Description</b>
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 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 crores

<b>Particulars</b>	<b>Current Year</b>	<b>Previous Year</b>
Opening balance . . . . .	327.31	256.21
Additions during the year . . . . .	206.59	87.59
Reductions during the year . . . . .	90.32	16.49
Closing balance . . . . .	443.58	327.31

## 18.8. Additional Disclosures

### 1. Provisions and Contingencies

₹ In crores

Particulars	Current Year	Previous Year
Provision for Taxation		
- Current Tax . . . . .	6,719.11	4,359.74
- Deferred Tax . . . . .	(477.56)	1,055.25
- Write Back of Income Tax . . . . .	(39.16)	(142.28)
- Other Tax . . . . .	10.00	10.00
Provision for Depreciation on Investments . . . . .	(590.07)	563.25
Withdrawal from Counter Cyclical Buffer . . . . .	(382.00)	(750.00)
Provision on Non-Performing Assets . . . . .	16,863.64	14,478.45
Provision on Restructured Assets . . . . .	802.65	495.12
Provision on Standard Assets . . . . .	2,435.37	1,260.69
Other Provisions . . . . .	469.95	(112.16)
<b>Total . . . . .</b>	<b>25,811.93</b>	<b>21,218.06</b>

### 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, the Bank has withdrawn following amount from the Reserves:

₹ In crores

Particulars	As at 31st March 2015	As at 31st March 2014
For Creation of Deferred Tax Liability on Special Reserve created u/s 36(1)(viii) of Income Tax Act . .	—	1,525.13

### 4. Status of complaints

#### A. Customer complaints

Particulars	As at 31st March 2015	As at 31st March 2014
No. of complaints pending at the beginning of the year . . . . .	21,413	32,705
No. of complaints received during the year . . . . .	16,34,042	15,03,638
No. of complaints redressed during the year . . . . .	16,24,559	15,14,930
No. of complaints pending at the end of the year.	30,896	21,413

**B. Awards passed by the Banking Ombudsman**

Particulars	Current Year	Previous Year
No. of unimplemented Awards at the beginning of the year . . . . .	9	28
No. of Awards passed by the Banking Ombudsman during the year . . . . .	39	63
No. of Awards implemented during the year . . . . .	33	82
No. of unimplemented Awards at the end of the year . . . . .	15	9

**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 letters of comfort on behalf of its subsidiaries. Outstanding letters of comfort as on 31st March 2015 aggregate to ₹ 715.16 Crores (Previous Year: ₹ 1,914.97 Crores). In the Bank's assessment no financial impact is likely to arise.

**7. Provisioning Coverage Ratio (PCR):**

The Provisioning to Gross Non-Performing Assets ratio of the Bank as on 31st March 2015 is 69.13% (Previous Year 62.86%).

**8. Fees/remuneration received in respect of the bancassurance business**

₹ In crores		
Name of Company	Current Year	Previous Year
SBI Life Insurance Co. Ltd. . . . . .	281.16	222.05
SBI General Insurance Co. Ltd. . . . . .	62.86	48.41
Manu Life Financial Limited and NTUC . . . . .	0.57	0.61
Tokio Marine, ACE . . . . .	0.21	1.52
<b>TOTAL . . . . .</b>	<b>344.80</b>	<b>272.59</b>

**9. Concentration of Deposits, Advances Exposures & NPAs****a) Concentration of Deposits**

₹ In crores		
Particulars	Current Year	Previous Year
Total Deposits of twenty largest depositors . . . . .	1,01,148.22	1,03,157.26
Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank . . . . .	6.41%	7.40%

**b) Concentration of Advances**

₹ In crores

Particulars	Current Year	Previous Year
Total Advances to twenty largest borrowers . . . .	2,06,512.83	2,22,862.28
Percentage of Advances to twenty largest borrowers to Total Advances of the Bank . . . . .	15.46%	17.90%

**c) Concentration of Exposures**

₹ In crores

Particulars	Current Year	Previous Year
Total Exposure to twenty largest borrowers/customers . . . . .	3,45,152.13	3,32,789.45
Percentage of Exposures to twenty largest borrowers/customers to Total Exposure of the Bank on borrowers/customers . . . . .	15.88%	16.88%

**d) Concentration of NPAs**

₹ In crores

Particulars	Current Year	Previous Year
Total Exposure to top four NPA accounts . . . . .	1,839.51	4,782.78

**10. Sector —wise NPAs**

₹ In crores

Sr. No.	Sector	Current Year			Previous year		
		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
<b>A</b>	<b>Priority Sector</b>						
1	Agriculture & allied activities . . . . .	1,12,752.88	10,216.74	9.06	1,09,783.93	10,327.11	9.41
2	Industry (Micro & Small, Medium and Large) . . . . .	65,699.72	7,087.13	10.79	65,688.11	4,174.09	6.35
3	Services . . . . .	26,146.41	1,699.94	6.50	26,803.49	2,424.62	9.05
4	Personal Loans . . . . .	90,352.32	1,202.51	1.33	80,907.18	1,659.29	2.05
	Sub-total (A) . . . . .	2,94,951.33	20,206.32	6.85	2,83,182.71	18,585.11	6.56
<b>B</b>	<b>Non Priority Sector</b>						
1	Agriculture & allied activities . . . . .	5,024.05	199.91	3.98	20,282.48	224.86	1.11
2	Industry (Micro & Small, Medium and Large) . . . . .	7,54,514.38	31,167.29	4.13	9,36,507.69	34,566.58	3.69
3	Services . . . . .	1,75,822.54	4,017.66	2.29	1,54,668.80	6,977.35	4.51
4	Personal Loans . . . . .	1,93,469.42	1,152.20	0.60	1,74,799.43	1,679.34	0.96
	Sub-total (B) . . . . .	11,28,830.39	36,537.06	3.24	12,86,258.40	43,448.13	3.38
<b>C</b>	<b>Total (A+B) . . . . .</b>	<b>14,23,781.72</b>	<b>56,743.38</b>	<b>3.99</b>	<b>15,69,441.11</b>	<b>62,033.24</b>	<b>3.95</b>

## 11. Overseas Assets, NPAs and Revenue

₹ In crores

Sr. No.	Particulars	Current Year	Previous Year
1	Total Assets . . . . .	3,00,768.24	2,67,489.78
2	Total NPAs (Gross) . . . . .	2,618.65	3,786.64
3	Total Revenue . . . . .	9,485.80	8,840.74

## 12. Off-balance Sheet SPVs sponsored

Name of the SPV Sponsored	Domestic	Overseas
<b>Current Year</b> . . . . .	NIL	NIL
<b>Previous Year</b> . . . . .	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 . . . . .	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
	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 crores

Sr. No.	Particulars	Current Year		Previous Year	
		As Protection Buyer	As Protection Seller	As Protection Buyer	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	0.83
	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	1
	b) Amount of protection (as on 1st April ) . . . . .	Nil	Nil	Nil	59.39

## 15. Intra-Group Exposures:

₹ In crores

	Particulars	
i	Total amount of intra-group exposures . . . . .	15,442.79
ii	Total amount of top-20 intra-group exposures . . . . .	15,442.79
iii	Percentage of intra-group exposures to total exposure of the bank on borrowers / customers . . . . .	0.71
iv	Details of breach of limits on intra-group exposures and regulatory action thereon . . . . .	—

**16. UNCLAIMED LIABILITIES TRANSFERRED TO DEPOSITOR EDUCATION AND AWARENESS FUND (DEAF)**

₹ In crores

Particulars	Current Year
Opening balance of amounts transferred to DEAF . . . . .	—
Add : Amounts transferred to DEAF during the year . . . . .	757.14
Less : Amounts reimbursed by DEAF towards claims . . . . .	—
Closing balance of amounts transferred to DEAF . . . . .	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 entities with Unhedged Foreign Currency Exposure' has provided for ₹ 293.08 crores for towards Currency Induced Credit Risk and allocated incremental Capital for Currency Induced Credit Risk amounting to ₹ 408.44 crores.

**18. Liquidity Coverage Ratio:**

**(a) Quantitative Disclosure**

₹ In crores

	Month end Average for quarter ended 31-Mar-2015	
	Total Unweighted Value (Average)	Total Weighted Value (Average)
High Quality Liquid Assets		
1 Total High Quality Liquid Assets(HQLA) . . . . .		2,13,955.16
Cash Outflows		
2 Retail Deposits and deposits from small business customers, of which:		
(i) Stable deposits . . . . .	1,27,899.26	6,394.96
(ii) Less Stable Deposits . . . . .	9,25,435.65	92,543.57
3 Unsecured wholesale funding, of which:		
(i) Operational deposits(all counterparties). . . . .	86,182.04	20,631.04
(ii) Non-operational deposits(all counterparties) . . .	3,09,173.95	1,86,209.20
(iii) Unsecured debt . . . . .	0.00	0.00
4 Secured wholesale funding . . . . .	16,291.56	1,298.81
5 Additional requirements, of which		
(i) Outflows related to derivative exposures and other collateral requirements . . . . .	1,48,530.11	1,48,530.11
(ii) Outflows related to loss of funding on debt products . . . . .	0.00	0.00
(iii) Credit and liquidity facilities . . . . .	1,26,665.91	19,134.19
6 Other contractual funding obligations . . . . .	11,087.96	11,087.96
7 Other contingent funding obligations . . . . .	3,33,646.81	16,682.33
8 TOTAL CASH OUTFLOWS . . . . .	20,84,913.25	5,02,512.17
Cash Inflows		
9 Secured lending(eg. Reverse repos). . . . .	5,090.33	0.00
10 Inflows from fully performing exposures . . . . .	2,13,473.88	1,94,324.78
11 Other cash inflows . . . . .	44,652.23	44,652.23
12 Total Cash Inflows . . . . .	2,63,216.44	2,38,977.01
13 TOTAL HQLA . . . . .		2,13,955.16
14 TOTAL NET CASH OUTFLOWS . . . . .		2,63,535.16
15 LIQUIDITY COVERAGE RATIO (%) . . . . .		81.19%



**(b) Qualitative Disclosure**

Liquidity Coverage Ratio (LCR) standard has been introduced with the objective that a bank maintains an adequate level of unencumbered High Quality Liquid Assets (HQLA)s 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. The stock of liquid assets should enable the bank to survive until day 30 of the stress scenario, by which time it is assumed that appropriate corrective actions can be taken. Beginning January 2015, LCR has been mandated at 60% which is to rise in equal steps of 10% to reach 100% by January 2019.

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 sold or used as collateral to obtain funds 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 Level 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 inflows and outflows are calculated by multiplying the outstanding balances of various categories of contractual receivables and types of liabilities and off-balance sheet commitments by the rates at which they are expected to flow in or drawn down.

Liquidity management in the Bank is driven by the ALM Policy, approved by the Board. Domestic and International Banking Treasuries are reporting to the Asset Liability Management Committee (ALCO). The ALCO has been empowered by the Bank's Board to formulate the funding strategies to ensure that the funding sources are well diversified and is consistent with the requirements of the Bank. All the major decisions of ALCO are being reported to the Board periodically. In addition to monthly LCR reporting, Bank prepares daily Structural Liquidity Statement to assess the liquidity needs of the Bank on an ongoing basis. Further, Dynamic Liquidity Reports are also being prepared to forecast liquidity requirements and strategise accordingly.

Bank's LCR of 81.19% is above the minimum 60% prescribed by RBI. 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 as 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. Pending Wage Agreement**

The Ninth Bipartite Settlement entered into by the Indian Banks' Association on behalf of the member Banks with the All India Unions of Workmen expired on 31st October 2012. In accordance with the understanding reached by IBA, pending the execution of agreement for wage revision, to be effective from 1st November 2012, a provision of ₹ 2,406 crores (previous year ₹ 1,814 crores) has been made during the year considering 15% increase in salary and allowances on salary slip component.

In addition to the above the Bank, on estimated basis, has made a provision of ₹ 540 crores (previous year ₹ 540 crores) towards Superannuation and other long term employee benefits.

The total provision held by the Bank on account of wage revision (including towards Superannuation and other long term employee benefits) as on 31st March 2015 is ₹ 6,245 crores (previous year ₹ 3,299 crores) .

## **21. Sale of Assets to Reconstruction Companies**

The shortfall on account of sale of assets to Reconstruction Companies amounting to ₹ 2803.19 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, ₹ 623.78 crores has been charged to the Profit & Loss Account for the year ended March 31, 2015. The amount unamortised as at March 31, 2015 is ₹ 2179.42 crores.

## **22. Counter Cyclical Buffer**

RBI vide Circular No. DBOD.No.BP.95/21.04.048/2013-14 dated February 7, 2014 on 'Utilisation of Floating Provisions/Counter Cyclical Provisioning Buffer' has allowed the banks, to utilise up to 33 per cent of Counter Cyclical Provisioning Buffer (CCPB) held by them as on March 31, 2013, 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 ₹ 382 crores (₹ 750 Crores utilised in the FY 2013-14) for making specific provision for NPAs, in accordance with the board approved policy and approval of the Board.

- 23.** 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.

**REPORT OF THE AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR  
THE YEAR ENDED MARCH 31, 2017**

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 INR 165 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

**REPORT OF THE AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016**

**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

**REPORT OF THE AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2015**

**INDEPENDENT AUDITOR'S REPORT**

To,  
The Board of Directors,  
State Bank of India,  
Corporate Centre,  
State Bank Bhavan,  
Mumbai

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") which comprise the Consolidated Balance Sheet as at March 31, 2015, 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.
2. Incorporated in these consolidated financial statements are the: (i) audited accounts of the Bank audited by 14 (fourteen) Joint Auditors including us which reflect total assets of Rs. 20,480.80 billion as at March 31, 2015, total revenue of Rs. 1,749.73 billion, profits of Rs. 131,015.7 million and net cash inflows amounting to Rs. 423.12 billion for the year then ended; (b) Audited accounts of 28 (twenty eight) Subsidiaries, 8 (eight) Joint Ventures and 20 (twenty) Associates audited by other auditors whose financial statements reflects the Group's share in total assets of Rs. 6,663.05 billion as at March 31, 2015, the Group's share in total revenue of Rs. 842,324.1 million, the Group's share in net cash inflows amounting to Rs. 5,787.5 million, and the Group's share in profit from associates of Rs. 3,171.5 million for the year then ended; (c) Unaudited accounts of 1 (one) Subsidiary and 1 (one) Associate whose financial statements reflect total assets of Rs. 34,322.0 million as at March 31, 2015, total revenue of Rs. 1,387.6 million, net cash outflows amounting to Rs. 7,924.0 million and the Group's share in loss from associates of Rs. 27.1 million for the year then ended. 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.
3. We did not audit the financial statements of its Subsidiaries, Joint Ventures and Associates. These financial statements have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of other entities, is based solely on the report of the other auditors.
4. We have relied on the unaudited financial statements of 1 (one) subsidiary and 1 (one) associate, which have been consolidated on the basis of management certified financial statements. Management's Responsibility for the Financial Statements.

**MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

5. The Management of State Bank of India 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 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 relevant to the preparation and presentation of the financial statements of the Group that give a true and fair view and are free from material misstatement, whether due to fraud or error. In making those

risk assessments, the managements of the individual entities of the Group have 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 Group are effective.

### **Auditor's Responsibility**

6. 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.
7. 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 Group's preparation 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 financial statements.
8. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
9. The Audit Reports/Management Certifications on the financial statements of the Subsidiaries/Joint Ventures/Associates of State Bank of India have been forwarded to us and dealt with in preparing our report in the manner considered by us and our opinion is based solely on the reports of the other auditors/management certificates.

### **Opinion**

10. Subject to the limitations as indicated in Para 1 to 9 hereinabove, based on our audit and on 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 an associate, in our opinion and to the best of our information and according to the explanations given to us, 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, 2015;
  - (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

11. Without qualifying our opinion, we draw attention to Schedule 18: 'Notes to Accounts' regarding:

- i) Note no. 3.1: change in method/rate of depreciation on Fixed Assets resulting in an increase in profit by Rs. 6,161.1 million.
- ii) Note no. 3.2.1.1: change in valuation of Plan Assets of long-term benefits from Book Value to Fair Value, resulting in increase in the value of Plan Assets by Rs. 21,828.7 million.
- iii) Note no. 10: amortization of Rs. 30,099.1 million on account of loss on sale of assets to Reconstruction Companies.
- iv) Note no. 11: utilization of Counter Cyclical Buffer of Rs. 4,611.9 million during the year.

Our opinion is not qualified in respect of the above stated matters.

For S. VENKATRAM & Co.,  
Chartered Accountants  
Firm Regn. No. 004656 S

(G. Narayanaswamy)  
Place: Kolkata Partner  
2015 M. No. 002161

Place : Kolkata  
Date : 22nd May 2015

**STATE BANK OF INDIA**  
**CONSOLIDATED BALANCE SHEET AS ON MARCH 31, 2017**

	Schedule	As on 31.03.2017	As on 31.03.2016
	No.	(Current Year)	(Previous Year)
		₹	₹
(000s omitted)			
<b>CAPITAL AND LIABILITIES</b>			
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	<u>2,852,724,387</u>	<u>2,713,664,227</u>
<b>TOTAL . . . . .</b>		<b><u>34,451,215,602</u></b>	<b><u>30,734,831,482</u></b>
<b>ASSETS</b>			
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	<u>1,968,159,781</u>	<u>1,760,325,241</u>
<b>TOTAL . . . . .</b>		<b><u>34,451,215,602</u></b>	<b><u>30,734,831,482</u></b>
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

In term of our Report of even date.  
**For Varma and Varma**  
Chartered Accountants

**Smt. Arundhati Bhattacharya**  
Chairman

<b>Dinesh Kumar Khara</b>	<b>P. K. Gupta</b>	<b>Rajnish Kumar</b>	<b>B. Sriram</b>	<b>Cherian K Baby</b>
MD (A & S)	MD (C & R)	MD (NBG)	MD (CBG)	Partner
				Mem. No. : 16043
				Firm Regn. No. : 004532 S

Kolkata  
Date: 19th May 2017

**(CONSOLIDATED) BALANCE SHEET  
AS ON MARCH 31, 2016 AND 2015**

		<b>(000s omitted)</b>	
	<u>Schedule No.</u>	<u>As on 31.3.2016</u>	<u>As on 31.3.2015</u>
		<b>Rs.</b>	<b>Rs.</b>
<b>CAPITAL AND LIABILITIES</b>			
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
<b>TOTAL . . . . .</b>		<b><u>29,708,976,419</u></b>	<b><u>27,001,100,246</u></b>
	<u>Schedule No.</u>	<u>As on 31.3.2016</u>	<u>As on 31.3.2015</u>
		<b>Rs.</b>	<b>Rs.</b>
<b>ASSETS</b>			
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
<b>TOTAL . . . . .</b>		<b><u>29,708,976,419</u></b>	<b><u>27,001,100,246</u></b>
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		

**STATE BANK OF INDIA**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31ST MARCH 2017**

	Schedule No.	Year ended 31.03.2017 (Previous Year)	(000s omitted) Year ended 31.03.2016 (Previous Year)
		₹	₹
<b>I. INCOME</b>			
Interest earned . . . . .	13	2,304,474,917	2,206,327,466
Other Income . . . . .	14	681,929,620	528,283,855
<b>TOTAL . . . . .</b>		<b><u>2,986,404,537</u></b>	<b><u>2,734,611,321</u></b>
<b>II. EXPENDITURE</b>			
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
<b>TOTAL . . . . .</b>		<b><u>2,990,311,266</u></b>	<b><u>2,607,178,414</u></b>
<b>III. PROFIT</b>			
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
<b>TOTAL . . . . .</b>		<b><u>35,210,654</u></b>	<b><u>148,404,712</u></b>
<b>IV. APPROPRIATIONS</b>			
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
<b>TOTAL . . . . .</b>		<b><u>35,210,654</u></b>	<b><u>148,404,712</u></b>
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

In term of our Report of even date.  
**For Varma and Varma**  
Chartered Accountants

**Smt. Arundhati Bhattacharya**  
Chairman

**Dinesh Kumar Khara**  
MD (A & S)

**P. K. Gupta**  
MD (C & R)

**Rajnish Kumar**  
MD (NBG)

**B. Sriram**  
MD (CBG)

**Cherian K Baby**  
Partner

Mem. No. : 16043  
Firm Regn. No. : 004532 S

Kolkata  
Date: 19th May 2017



**(CONSOLIDATED) PROFIT AND LOSS ACCOUNT  
FOR THE YEARS ENDED MARCH 31, 2016 AND 2015**

	Schedule No	Year ended 31.3.2016	(000s omitted) Year ended 31.3.2015
		Rs.	Rs.
<b>I. INCOME</b>			
Interest earned . . . . .	13	2,218,548,437	2,079,743,397
Other Income . . . . .	14	<u>510,161,848</u>	<u>493,151,686</u>
<b>TOTAL</b> . . . . .		<b><u>2,728,710,285</u></b>	<b><u>2,572,895,083</u></b>
<b>II. EXPENDITURE</b>			
Interest expended . . . . .	15	1,430,473,565	1,331,786,445
Operating expenses . . . . .	16	737,170,684	732,242,422
Provisions and contingencies . . . . .		<u>433,633,129</u>	<u>333,692,566</u>
<b>TOTAL</b> . . . . .		<b><u>2,601,277,378</u></b>	<b><u>2,397,721,433</u></b>
<b>III. PROFIT</b>			
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
<b>TOTAL</b> . . . . .		<b><u>148,404,712</u></b>	<b><u>190,266,707</u></b>
<b>APPROPRIATIONS</b>			
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 . . . . .		<u>32,798,329</u>	<u>26,158,762</u>
<b>TOTAL</b> . . . . .		<b><u>148,404,712</u></b>	<b><u>190,266,707</u></b>
Basic earnings per share . . . . .		Rs. 15.95	Rs. 22.76
Diluted earnings per share . . . . .		Rs. 15.95	Rs. 22.76
<b>Notes on Accounts</b> . . . . .	18		

**STATE BANK OF INDIA**  
**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2017**

PARTICULARS	(000s omitted)	
	Year ended 31.03.2017	Year ended 31.03.2016
	₹	₹
<b>Cash flow from operating activities</b>		
Net Profit before taxes (including share in profit from associates and net of minority interest) . . . . .	15,767,382	176,580,916
<b>Adjustments for :</b>		
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 . . . . .	17,219,584	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
<b>SUB TOTAL . . . . .</b>	<b><u>692,379,809</u></b>	<b><u>625,155,109</u></b>
<b>Adjustments for :</b>		
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)
<b>SUB TOTAL . . . . .</b>	<b><u>787,839,309</u></b>	<b><u>239,751,066</u></b>
Tax refund / (Taxes paid) . . . . .	(13,779,339)	(94,984,283)
<b>Net cash generated from / (used in) operating activities . . . . .</b>	<b>(A) 774,059,970</b>	<b>144,766,783</b>

PARTICULARS	(000s omitted)	
	Year ended 31.03.2017	Year ended 31.03.2016
	₹	₹
<b>Cash flow from investing activities</b>		
(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	—
<b>Net Cash generated from / (used in) investing activities . . . . .</b>	<b>(28,321,223)</b>	<b>(36,685,552)</b>
<b>Cash flow from financing activities</b>		
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)
Dividend paid including tax thereon . . . . .	(23,374,638)	(30,586,586)
Dividend tax paid by Subsidiaries/JVs . . . . .	(1,611,037)	(881,660)
Increase/(Decrease) in Minority Interest . . . . .	2,132,414	7,702,869
<b>Net Cash generated from / (used in) financing activities . . . . .</b>	<b>(41,964,751)</b>	<b>43,484,503</b>
<b>Effect of exchange fluctuation on translation reserve . . . . .</b>	<b>(17,397,098)</b>	<b>9,218,441</b>
<b>Net increase / (decrease) in cash and cash equivalents (A)+(B)+(C)+(D) . . . . .</b>	<b>686,376,898</b>	<b>160,784,175</b>
<b>Cash and Cash equivalents at the beginning of the year . . . . .</b>	<b>2,045,594,655</b>	<b>1,884,810,480</b>
<b>Cash and Cash equivalents at the end of the year . . . . .</b>	<b>2,731,971,553</b>	<b>2,045,594,655</b>
<b>Components of Cash &amp; Cash Equivalents as at: . . . . .</b>	<b>31.03.2017</b>	<b>31.03.2016</b>
Cash & Balances with Reserve Bank of India . . . . .	1,610,186,107	1,604,245,691
Balances with Banks and Money at Call & Short Notice . . . . .	1,121,785,446	441,348,964
<b>Total . . . . .</b>	<b>2,731,971,553</b>	<b>2,045,594,655</b>

In term of our Report of even date.

**For Varma and Varma**  
Chartered Accountants

**Smt. Arundhati Bhattacharya**  
Chairman

<b>Dinesh Kumar Khara</b> MD (A & S)	<b>P. K. Gupta</b> MD (C & R)	<b>Rajnish Kumar</b> MD (NBG)	<b>B. Sriram</b> MD (CBG)	<b>Cherian K Baby</b> Partner
				Mem. No. : 16043
				Firm Regn. No. : 004532 S

Kolkata  
Date: 19th May 2017

**(CONSOLIDATED) CASH FLOW STATEMENT  
FOR THE YEARS ENDED MARCH 31, 2016 AND 2015**

	Year ended 31.3.2016	(000s omitted) 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
<b>I. CASH FLOW FROM OPERATING ACTIVITIES</b>		
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	(000s omitted) Year ended 31.3.2015
	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 equivalent to the beginning of the year . . . . .	<u>1,884,810,480</u>	<u>1,671,613,447</u>
VI. CASH AND CASH EQUIVALENTS - CLOSING		
Net increase/(decrease) in cash and cash equivalent at the end of the year . . . . .	<u>2,041,594,655</u>	<u>1,884,810,480</u>
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

(Diwakar Gupta)  
Managing Director & Chief Financial Officer  
(A. Krishna Kumar)  
Managing Director & Group Executive (NB)  
(H. G. Contractor)  
Managing Director & Group Executive (IB)  
(R. Sridharan)  
Managing Director & Group Executive (A&S)  
(Pratip Chaudhuri)  
Chairman

In terms of our Report of even date  
For Kalyaniwalla & Mistry  
Chartered Accountants  
(Viraf R. Mehta)  
Partner  
M.No. 32083  
Firm Registration No. 104607 W  
Kolkata, May 17, 2011

**SCHEDULES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2017**

**Schedule 1 - Capital**

	As on 31.03.2017 (Current Year)	As on 31.03.2016 (Previous Year)
	₹	₹
<b>Authorised Capital:</b> 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
<b>Issued Capital :</b> 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
<b>Subscribed and Paid up Capital :</b> 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\] . . . . .	<u>7,973,504</u>	<u>7,762,777</u>
<b>TOTAL</b> . . . . .	<u><u>7,973,504</u></u>	<u><u>7,762,777</u></u>

**Schedule 2 - Reserves & Surplus**

	As on 31.03.2017 (Current Year)		As on 31.03.2016 (Previous Year)	
	₹		₹	
<b>I. Statutory Reserves</b>				
Opening Balance . . . . .	614,991,634		577,897,297	
Additions during the year. . . . .	32,543,578		37,094,337	
Deductions during the year . . . . .	<u>—</u>	647,535,212	<u>—</u>	614,991,634
<b>II. Capital Reserves#</b>				
Opening Balance . . . . .	33,541,948		28,160,026	
Additions during the year. . . . .	18,922,633		5,382,031	
Deductions during the year . . . . .	<u>3582</u>	52,460,999	<u>109</u>	33,541,948
<b>III. Share Premium</b>				
Opening Balance . . . . .	497,694,771		414,446,860	
Additions during the year. . . . .	56,599,272		83,334,499	
Deductions during the year . . . . .	<u>61707</u>	554,232,336	<u>86,588</u>	497,694,771
<b>IV. Foreign Currency Translation Reserves</b>				
Opening Balance . . . . .	68,136,299	67,657,093		
Additions during the year. . . . .	220,980	9,379,719		
Deductions during the year . . . . .	<u>17618078</u>	50,739,201	<u>8,900,513</u>	68,136,299
<b>V. Revaluation Reserve</b>				
Opening Balance . . . . .	13,740,337		—	
Additions during the year. . . . .	345,587,773		13,740,337	
Deductions during the year . . . . .	<u>3,389,297</u>	355,938,813	<u>—</u>	13,740,337

	(000s omitted)	
	As on 31.03.2017 (Current Year)	As on 31.03.2016 (Previous Year)
	₹	₹
<b>VI. Revenue and Other Reserves</b>		
Opening Balance . . . . .	537,257,567	492,089,659
Additions during the year##. . . . .	9,608,892	48,853,661
Deductions during the year . . . . .	<u>424,638</u>	<u>3,685,753</u>
	546,441,821	537,257,567
<b>VII. Balance of Profit and Loss Account</b>		
Account . . . . .	(43,400,396)	32,798,329
<b>TOTAL</b> . . . . .	<b><u>2,163,947,986</u></b>	<b><u>1,798,160,885</u></b>

# 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)
	₹	₹
<b>A. I. Demand Deposits</b>		
(i) From Banks . . . . .	69,918,091	67,408,818
(ii) From Others. . . . .	1,818,908,978	1,639,389,129
<b>II. Savings Bank Deposits</b> . . . . .	9,473,617,112	7,449,087,455
<b>III. Term Deposits</b>		
(i) From Banks . . . . .	198,489,766	90,822,840
(ii) From Others. . . . .	<u>14,437,172,672</u>	<u>13,291,867,402</u>
<b>TOTAL</b> . . . . .	<b><u>25,998,106,619</u></b>	<b><u>25,998,106,619</u></b>
<b>B</b>		
(i) Deposits of Branches in India . . . . .	24,913,696,212	21,439,720,039
(ii) Deposits of Branches outside India . . . . .	<u>1,084,410,407</u>	<u>1,098,855,605</u>
<b>TOTAL</b> . . . . .	<b><u>25,998,106,619</u></b>	<b><u>25,998,106,619</u></b>



## Schedule 4 - Borrowings

	(000s omitted)	
	As on 31.03.2017 (Current Year)	As on 31.03.2016 (Previous Year)
	₹	₹
<b>I. Borrowings in India</b>		
(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 . . . . .	115,050,000	38,497,260
b. Subordinated Debt & Bonds . . . . .	420,707,640	538,736,380
	535,757,640	577,233,640
<b>TOTAL . . . . .</b>	<b><u>1,348,645,656</u></b>	<b><u>1,785,344,325</u></b>
<b>II. Borrowings outside India</b>		
(i) Borrowings and Refinance outside India . . . . .	1,954,399,742	1,786,614,805
(ii) Capital Instruments :		
a. Innovative Perpetual Debt . . . . .	59,986,250	41,409,375
b. Subordinated Debt & Bonds . . . . .	625,000	625,400
	60,611,250	42,034,775
<b>TOTAL . . . . .</b>	<b><u>2,015,010,992</u></b>	<b><u>1,828,649,580</u></b>
<b>GRAND TOTAL (I &amp; II) . . . . .</b>	<b><u>3,363,656,648</u></b>	<b><u>3,613,993,905</u></b>
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
<b>TOTAL . . . . .</b>	<b><u>2,852,724,387</u></b>	<b><u>2,713,664,227</u></b>

**Schedule 6 - Cash and Balances with Reserve Bank of India**

	As on 31.03.2017 (Current Year)	(000s omitted) 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 . . . . .	—	—
<b>TOTAL . . . . .</b>	<b><u>1,610,186,107</u></b>	<b><u>1,604,245,691</u></b>

**Schedule 7 - Balances With Banks and Money at Call & Short Notice**

	As on 31.03.2017 (Current Year)	(000s omitted) As on 31.03.2016 (Previous Year)
	₹	₹
<b>I. In India</b>		
(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
<b>TOTAL . . . . .</b>	<b><u>740,933,925</u></b>	<b><u>66,189,242</u></b>
<b>II. Outside India</b>		
(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
<b>TOTAL . . . . .</b>	<b><u>380,851,521</u></b>	<b><u>375,159,722</u></b>
<b>GRAND TOTAL (I and II) . . . . .</b>	<b><u>1,121,785,446</u></b>	<b><u>441,348,964</u></b>

**Schedule 8 - Investments**

	As on 31.03.2017 (Current Year)	(000s omitted) As on 31.03.2016 (Previous Year)
	₹	₹
<b>I. Investments in India in :</b>		
(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
<b>TOTAL . . . . .</b>	<b><u>9,848,571,832</u></b>	<b><u>7,671,113,241</u></b>
<b>II. Investments outside India in :</b>		
(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
<b>TOTAL . . . . .</b>	<b><u>424,236,858</u></b>	<b><u>402,632,589</u></b>
<b>GRAND TOTAL (I and II) . . . . .</b>	<b><u>10,272,808,690</u></b>	<b><u>8,073,745,830</u></b>
<b>III. Investments in India :</b>		
(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) . . . . .	<u>9,848,571,832</u>	<u>7,671,113,241</u>
<b>IV. Investments outside India :</b>		
(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) . . . . .	<u>424,236,858</u>	<u>402,632,589</u>
<b>GRAND TOTAL (III and IV) . . . . .</b>	<b><u>10,272,808,690</u></b>	<b><u>8,073,745,830</u></b>

**Schedule 9 - Advances**

		(000s omitted)	
		As on 31.03.2017 (Current Year)	As on 31.03.2016 (Previous Year)
		₹	₹
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
	<b>TOTAL</b> . . . . .	<b><u>18,968,868,201</u></b>	<b><u>18,702,608,928</u></b>
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
	<b>TOTAL</b> . . . . .	<b><u>18,968,868,201</u></b>	<b><u>18,702,608,928</u></b>
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
	<b>TOTAL</b> . . . . .	<b><u>15,986,085,819</u></b>	<b><u>15,933,391,018</u></b>
	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
	<b>TOTAL</b> . . . . .	<b><u>2,982,782,382</u></b>	<b><u>2,769,217,910</u></b>
	<b>GRAND TOTAL [C (I) and C (II)]</b> . . . . .	<b><u>18,968,868,201</u></b>	<b><u>18,702,608,928</u></b>

## Schedule 10 - Fixed Assets

	(000s omitted)	
	As on 31.03.2017 (Current Year)	As on 31.03.2016 (Previous Year)
	₹	₹
<b>I. Premises</b>		
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 . . . . .	<u>3,848,711</u>	<u>425,095</u>
	409,914,054	58,328,168
<b>II. Other Fixed Assets (including furniture and fixtures)</b>		
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. . . . .	<u>192,696,313</u>	<u>171,259,543</u>
	92,432,459	86,208,878
<b>III. Leased Assets</b>		
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). . . . .	<u>1,015,140</u>	<u>1,015,299</u>
	158,741	209,867
Less : Lease Adjustment Account. . . . .	<u>47,045</u>	<u>47,045</u>
	111,696	162,822
<b>IV. Assets under Construction (Including Premises) . . . . .</b>	<u>6,949,168</u>	<u>7,856,960</u>
<b>TOTAL . . . . .</b>	<b><u>509,407,377</u></b>	<b><u>152,556,828</u></b>

## 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 #. . . . .	<u>813,382,273</u>	<u>748,050,836</u>
<b>TOTAL . . . . .</b>	<b><u>1,968,159,781</u></b>	<b><u>1,760,325,241</u></b>

# Includes Goodwill on consolidation ₹ 9,434,150 thousand (Previous 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
<b>TOTAL</b> . . . . .	<b>11,849,078,179</b>	<b>11,842,013,424</b>
<b>Bills for collection</b> . . . . .	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
<b>TOTAL</b> . . . . .	<b>2,304,474,917</b>	<b>2,206,327,466</b>

## 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-off Accounts . . . . .	40,908,993	33,520,243
XI. Miscellaneous Income . . . . .	42,106,493	56,742,208
<b>TOTAL</b> . . . . .	<b>681,929,620</b>	<b>528,283,855</b>

## Schedule 15 - Interest Expended

	(000s omitted)	
	Year Ended 31.03.2017 (Current Year)	Year Ended 31.03.2016 (Previous Year)
	₹	₹
I. Interest on Deposits . . . . .	1,387,867,815	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
<b>TOTAL . . . . .</b>	<b><u>1,491,146,740</u></b>	<b><u>1,430,473,565</u></b>

## Schedule 16 - Operating Expenses

	(000s omitted)	
	Year Ended 31.03.2017 (Current Year)	Year Ended 31.03.2016 (Previous Year)
	₹	₹
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
<b>TOTAL . . . . .</b>	<b><u>872,900,701</u></b>	<b><u>743,071,720</u></b>



**SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED  
MARCH 31, 2016 AND 2015**

**SCHEDULE 1 — CAPITAL**

	(000s omitted)	
	<u>As on March 31, 2016</u>	<u>As on March 31, 2015</u>
	Rs.	Rs.
Authorized Capital - 50,000,000,000 of Rs. 1/-* each (Previous Year 50,000,000,000 shares of Rs. 1/- each) . . . . .	<u>50,000,000</u>	<u>50,000,000</u>
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) . . . . .		—
<b>TOTAL . . . . .</b>	<u><b>7,762,777</b></u>	<u><b>7,465,731</b></u>

\* 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.
<b>I. Statutory Reserves</b>				
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
<b>II. Capital Reserves #</b>				
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
<b>III. Share Premium</b>				
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
<b>IV. Revaluation Reserve</b>				
Opening Balance . . . . .	—		0	
Additions during the year. . . . .	13,740,337		0	
Deductions during the year . . . . .	—	13,740,337	0	0
<b>V. Forex Translation Reserve</b>				
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
<b>VI. Revenue and Other Reserves</b>				
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
<b>VII. Balance in Profit and Loss Account . . . . .</b>		<u>32,798,329</u>		<u>26,158,762</u>
<b>TOTAL. . . . .</b>		<u><u>1,798,160,885</u></u>		<u><u>1,606,409,697</u></u>

# includes Capital Reserve on consolidation Rs. 2,428,339 thousand (Previous Year Rs. 2,374,980 thousand)

## net of consolidation adjustments

### SCHEDULE 3 — DEPOSITS

		(000s omitted)	
		As on 31.3.2016	As on 31.3.2015
		Rs.	Rs.
<b>A.</b>	<b>I. Demand Deposits</b>		
	(i) From Banks . . . . .	67,408,818	72,470,357
	(ii) From Others . . . . .	1,639,389,129	1,458,183,610
	<b>II. Savings Bank Deposits . . . . .</b>	<b>7,449,087,455</b>	<b>6,564,903,945</b>
	<b>III. Term Deposits</b>		
	(i) From Banks . . . . .	90,822,840	118,528,026
	(ii) From Others . . . . .	13,291,867,402	12,315,521,950
	<b>TOTAL . . . . .</b>	<b>22,538,575,644</b>	<b>20,529,607,888</b>
<b>B.</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

		(000s omitted)	
		As on 31.3.2016	As on 31.3.2015
		Rs.	Rs.
<b>I.</b>	<b>Borrowings in India</b>		
	(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 . . . . .		—
<b>II.</b>	<b>Borrowings outside India</b>		
	(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
	<b>TOTAL (I and II) . . . . .</b>	<b>2,582,143,905</b>	<b>2,446,634,671</b>
	Secured Borrowings included in I & II above . . . . .	<b>135,914,733</b>	<b>135,957,997</b>

## SCHEDULE 5 — OTHER LIABILITIES & PROVISIONS

	(000s omitted)	
	As on 31.3.2016	As on 31.3.2015
	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
<b>TOTAL . . . . .</b>	<b><u>2,719,659,164</u></b>	<b><u>2,356,011,084</u></b>

## SCHEDULE 6 — CASH AND BALANCES WITH RESERVE BANK OF INDIA

	(000s omitted)	
	As on 31.3.2016	As on 31.3.2015
	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 . . . . .	—	—
<b>TOTAL . . . . .</b>	<b><u>1,604,245,691</u></b>	<b><u>1,442,875,467</u></b>

## SCHEDULE 7 — BALANCES WITH BANKS & MONEY AT CALL & SHORT NOTICE

	(000s omitted)	
	As on 31.3.2016	As on 31.3.2015
	Rs.	Rs.
<b>I. In India</b>		
(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	—
<b>TOTAL . . . . .</b>	<b><u>62,189,242</u></b>	<b><u>62,912,843</u></b>
<b>II. Outside India</b>		
(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
<b>TOTAL . . . . .</b>	<b><u>375,159,722</u></b>	<b><u>379,022,170</u></b>
<b>GRAND TOTAL (I and II) . . . . .</b>	<b><u>437,348,964</u></b>	<b><u>441,935,013</u></b>

## SCHEDULE 8 — INVESTMENTS

	(000s omitted)	
	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
<b>TOTAL . . . . .</b>	<b><u>6,649,258,178</u></b>	<b><u>6,423,954,236</u></b>
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
<b>TOTAL . . . . .</b>	<b><u>402,632,589</u></b>	<b><u>311,120,608</u></b>
<b>GRAND TOTAL (I and II) . . . . .</b>	<b><u>7,051,890,767</u></b>	<b><u>6,735,074,844</u></b>
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
<b>GRAND TOTAL (III and IV) . . . . .</b>	<b><u>7,051,890,767</u></b>	<b><u>6,735,074,844</u></b>

## 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
<b>TOTAL . . . . .</b>	<b><u>18,702,608,928</u></b>	<b><u>16,922,113,341</u></b>
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
<b>TOTAL . . . . .</b>	<b><u>18,702,608,928</u></b>	<b><u>16,922,113,341</u></b>
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
<b>TOTAL . . . . .</b>	<b><u>15,933,391,018</u></b>	<b><u>14,480,687,957</u></b>

	(000s omitted)	
	As on 31.3.2016	As on 31.3.2015
	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
	<u>2,769,217,910</u>	<u>2,441,425,384</u>
GRAND TOTAL ( C. (I) and) C. (II) ). . . . .	<u>18,702,608,928</u>	<u>16,922,113,341</u>

## 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 . . . . .	<u>6,723,188</u>	58,328,168	<u>5,720,106</u>	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 . . . . .	<u>171,259,543</u>	86,208,878	<u>153,321,654</u>	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 . . . . .	<u>1,015,299</u>		<u>3,064,856</u>	
	209,867		233,486	
Less: Lease adjustment and provisions . . . . .	<u>47,045</u>	162,822	<u>47,045</u>	186,441
IV. Assets under Construction . . . . .		<u>7,856,960</u>		<u>4,003,186</u>
TOTAL . . . . .		<u>152,556,828</u>		<u>123,792,952</u>

## SCHEDULE 11 — OTHER ASSETS

	(000s omitted)	
	As on 31.3.2016	As on 31.3.2015
	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
<b>TOTAL . . . . .</b>	<b><u>1,760,325,241</u></b>	<b><u>1,335,308,629</u></b>

# Includes Goodwill on consolidation Rs. 9,452,186 thousand (Previous year Rs. 9,452,186 thousand)

## SCHEDULE 12 — CONTINGENT LIABILITIES

	(000s omitted)	
	As on 31.3.2016	As on 31.3.2015
	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
<b>TOTAL . . . . .</b>	<b><u>11,842,013,424</u></b>	<b><u>11,903,386,909</u></b>
<b>Bills for collection . . . . .</b>	<b><u>1,066,116,761</u></b>	<b><u>1,059,705,147</u></b>

## SCHEDULE 13 — INTEREST EARNED

	(000s omitted)	
	Year ended 31.3.2016	Year ended 31.3.2015
	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
<b>Total . . . . .</b>	<b><u>2,218,548,437</u></b>	<b><u>2,079,743,397</u></b>



**SCHEDULE 14 — OTHER INCOME**

	Year ended 31.3.2016	(000s omitted) Year ended 31.3.2015
	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. . . . .	<u><b>510,161,848</b></u>	<u><b>493,151,686</b></u>

**SCHEDULE 15 — INTEREST EXPENDED**

	Year ended 31.3.2016	(000s omitted) Year ended 31.3.2015
	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 . . . . .	<u><b>1,430,473,565</b></u>	<u><b>1,331,786,445</b></u>

## SCHEDULE 16 — OPERATING EXPENSES

	Year ended 31.3.2016	(000s omitted) 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
<b>TOTAL . . . . .</b>	<b><u>737,170,684</u></b>	<b><u>732,242,422</u></b>

**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.
  - 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 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. 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 ₹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 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 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** Advances are not 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.
- 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 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:

<u>Sr. No.</u>	<u>Description of Fixed Assets</u>	<u>Method of charging depreciation</u>	<u>Depreciation/ amortisation rate</u>
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 joiners 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	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)

Particulars	₹ in crore			
	Pension Plans		Gratuity Plans	
	Current Year	Previous Year	Current Year	Previous Year
<b>Change in the present value of the defined benefit obligation</b>				
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

Particulars	₹ in crore			
	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)	—	—
<b>Closing defined benefit obligation at 31st March 2017 . . . . .</b>	<b>83,870.13</b>	<b>73,164.38</b>	<b>9,929.52</b>	<b>9,898.24</b>
<b>Change in Plan Assets</b>				
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
<b>Closing fair value of plan assets at 31st March 2017 . . . . .</b>	<b>79,303.20</b>	<b>66,813.97</b>	<b>9,863.77</b>	<b>9,249.72</b>
<b>Reconciliation of present value of the obligation and fair value of the plan assets</b>				
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 . . . . .	—	—	—	—
<b>Net Liability/(Asset) . . . . .</b>	<b>4,566.93</b>	<b>6,350.41</b>	<b>65.75</b>	<b>648.52</b>
<b>Amount Recognised in the Balance Sheet</b>				
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 . . . . .	—	—	—	—
<b>Net Liability/ (Asset) . . . . .</b>	<b>4,566.93</b>	<b>6,350.41</b>	<b>65.75</b>	<b>648.52</b>
<b>Net Cost recognised in the profit and loss account</b>				
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
<b>Total costs of defined benefit plans included in Schedule 16 “Payments to and provisions for employees” . . . . .</b>	<b>8,394.04</b>	<b>8,275.32</b>	<b>293.45</b>	<b>851.99</b>

₹ in crore

Particulars	Pension Plans		Gratuity Plans	
	Current Year	Previous Year	Current Year	Previous Year
<b>Reconciliation of expected return and actual return on Plan Assets</b>				
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
<b>Reconciliation of opening and closing net liability/(asset) recognised in Balance Sheet</b>				
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
<b>Net liability/(Asset) recognised in Balance Sheet . . . . .</b>	<b>4,566.93</b>	<b>6,350.41</b>	<b>65.75</b>	<b>648.52</b>

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%
<b>Total . . . . .</b>	<b>100.00%</b>	<b>100.00%</b>

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:-

Particulars	₹ in crore	
	Current Year	Previous Year
<b>Provident Fund</b>		
<b>Change in the present value of the defined benefit obligation</b>		
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
<b>Change in Plan Assets</b>		
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
<b>Reconciliation of present value of the obligation and fair value of the plan assets</b>		
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
<b>Net Cost recognised in the profit and loss account</b>		
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
<b>Reconciliation of opening and closing net liability/ (asset) recognised in Balance Sheet</b>		
Opening Net Liability as at 1st April 2016. . . . .	—	—
Expense as above. . . . .	811.36	1,632.22
Employer’s Contribution . . . . .	(811.36)	(1,632.22)
<b>Net Liability/(Asset)</b>		
<b>Recognized In the Balance Sheet . . . . .</b>	<b>—</b>	<b>—</b>

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%
<b>Total</b> . . . . .	<b>100.00%</b>

### 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:-

Particulars	₹ in crore	
	Accumulating Compensated Absences (Privilege Leave)	
	Current Year	Previous Year
<b>Change in the present value of the defined benefit obligation</b>		
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
<b>Net Cost recognised in the profit and loss account</b>		
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
<b>Reconciliation of opening and closing net liability/ (asset) recognised in Balance Sheet</b>		
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;

Sl. No.	Long Term Employees’ Benefits	₹ in crore	
		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)
<b>Total</b>		<u>(20.52)</u>	<u>21.35</u>

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

<u>Business Segment</u>	<u>Treasury</u>	<u>Corporate/ Wholesale Banking</u>	<u>Retail Banking</u>	<u>Insurance Business</u>	<u>Other Banking Operations</u>	<u>TOTAL</u>
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)
<b>Other Information:</b>						
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
<b>Transactions during the year 2016-17</b>			
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)
<b>Outstanding as on 31st March 2017</b>			
<b>Payables</b>			
Deposit . . . . .	15.21	—	15.21
	(39.26)	(—)	(39.26)
Other Liabilities . . . . .	47.99	—	47.99
	(42.23)	(—)	(42.23)
<b>Receivables</b>			
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)
<b>Maximum outstanding during the year</b>			
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:

Particulars	₹ in crore	
	As at March 31, 2017	As at March 31, 2016
<b>Total Minimum lease payments outstanding</b>		
Less than 1 year . . . . .	4.87	4.79
1 to 5 years . . . . .	9.35	3.29
5 years and above . . . . .	—	—
<b>Total . . . . .</b>	<b>14.22</b>	<b>8.08</b>
<b>Interest Cost payable</b>		
Less than 1 year . . . . .	0.97	0.63
1 to 5 years . . . . .	1.36	0.39
5 years and above . . . . .	—	—
<b>Total . . . . .</b>	<b>2.33</b>	<b>1.02</b>
<b>Present value of minimum lease payments payable</b>		
Less than 1 year . . . . .	3.90	4.16
1 to 5 years . . . . .	7.99	2.90
5 years and above . . . . .	—	—
<b>Total . . . . .</b>	<b>11.89</b>	<b>7.06</b>

#### 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:

Particulars	₹ in crore	
	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
<b>Total . . . . .</b>	<b>1,807.18</b>	<b>1,962.42</b>

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:

Particulars	₹ in crore	
	As at 31-Mar-2017	As at 31-Mar-2016
<b>Deferred Tax Assets</b>		
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
<b>Total</b> . . . . .	<b>12,637.05</b>	<b>6,884.15</b>
<b>Deferred Tax Liabilities</b>		
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
<b>Total</b> . . . . .	<b>11,075.72</b>	<b>8,653.37</b>
<b>Net Deferred Tax Assets/ (Liabilities)</b> . . . . .	<b>1,561.33</b>	<b>(1,769.22)</b>

### 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
	<b>Total . . . . .</b>	<b><u>62,626.38</u></b>	<b><u>43,363.32</u></b>

(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)	<b>Closing balance . . . . .</b>	<b><u>193.76</u></b>	<b><u>193.76</u></b>

#### ➤ 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 . . . . .	<u>127.66</u>	<u>314.51</u>
e) <b>Closing balance</b> . . . . .	<b><u>1,021.38</u></b>	<b><u>718.21</u></b>

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.

In term of our Report of even date.  
For **Varma and Varma**  
Chartered Accountants

**Smt. Arundhati Bhattacharya**  
Chairman

**Cherian K Baby**  
Partner

**Dinesh Kumar Khara**   **P. K. Gupta**   **Rajnish Kumar**   **B. Sriram**   Mem. No.: 16043  
MD (A & S)   MD (C & R)   MD (NBG)   MD (CBG)   Firm Regn. No.: 004532 S

**Kolkata**

**Date: 19th May 2017**

**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 joiners 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	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
<b>Change in the present value of the defined benefit obligation</b>				
Opening defined benefit obligation at 1st April 2015.....	<b>64,529.56</b>	<b>56,863.05</b>	<b>9,543.10</b>	<b>9,176.98</b>
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.....	<b>73,164.38</b>	<b>64,529.56</b>	<b>9,898.24</b>	<b>9,543.10</b>
<b>Change in Plan Assets</b>				
Opening fair value of plan assets at 1st April 2015.....	<b>61,886.14</b>	<b>53,143.82</b>	<b>9,362.94</b>	<b>9,206.33</b>
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.....	<b>66,813.97</b>	<b>61,886.14</b>	<b>9,249.72</b>	<b>9,362.94</b>
<b>Reconciliation of present value of the obligation and fair value of the plan assets</b>				
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) .....	<b>6,350.41</b>	<b>2,643.42</b>	<b>648.52</b>	<b>180.16</b>
<b>Amount Recognised in the Balance Sheet</b>				
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) .....	<b>6,350.41</b>	<b>2,643.42</b>	<b>648.52</b>	<b>180.16</b>

Particulars	Pension Plans		Gratuity Plans	
	Current Year	Previous Year	Current Year	Previous Year
<b>Net Cost recognised in the profit and loss account</b>				
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" . . . . .	<b>8,275.32</b>	<b>4,746.04</b>	<b>851.99</b>	<b>732.70</b>
<b>Reconciliation of expected return and actual return on Plan Assets</b>				
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 . . . . .	<b>5,271.38</b>	<b>7,157.05</b>	<b>834.89</b>	<b>901.40</b>
<b>Reconciliation of opening and closing net liability/(asset) recognised in Balance Sheet</b>				
Opening Net Liability/(Asset) as at 1st April 2015 . . . . .	<b>2,643.42</b>	<b>3,532.13</b>	<b>180.16</b>	<b>(80.94)</b>
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 . . . . .	<b>6,350.41</b>	<b>2,643.42</b>	<b>648.52</b>	<b>180.16</b>

Investments under Plan Assets of Gratuity Fund & Pension Fund as on March 31, 2016 are as follows:

Category of Assets	Pension Fund	Gratuity Fund
	% 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%
<b>Total . . . . .</b>	<b>100.00%</b>	<b>100.00%</b>

**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:-

Particulars	₹ in crores	
	Current Year	Previous Year
<b>Provident Fund</b>		
<b>Change in the present value of the defined benefit obligation</b>		
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
<b>Change in Plan Assets</b>		
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
<b>Reconciliation of present value of the obligation and fair value of the plan assets</b>		
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
<b>Net Cost recognised in the profit and loss account</b>		
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
<b>Reconciliation of opening and closing net liability/(asset) recognised in Balance Sheet</b>		
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%
<b>Total</b> .....	<b>100.00%</b>

### 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:-

Particulars	₹ in crores	
	<b>Accumulating Compensated Absences (Privilege Leave)</b>	
	Current Year	Previous Year
<b>Change in the present value of the defined benefit obligation</b>		
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
<b>Net Cost recognised in the profit and loss account</b>		
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
<b>Reconciliation of opening and closing net liability/ (asset) recognised in Balance Sheet</b>		
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
	<b>Total</b>	<b>21.35</b>	<b>12.55</b>

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:

- 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.
- 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

<u>Business Segment</u>	<u>Treasury</u>	<u>Corporate / Wholesale Banking</u>	<u>Retail Banking</u>	<u>Insurance Business</u>	<u>Other Banking Operations</u>	<u>Elimination</u>	<u>TOTAL</u>
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)
<b>Other Information:</b>							
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
<b>Transactions during the year 2015-16</b>			
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)
<b>Outstanding as on 31st March 2016</b>			
<b>Payables</b>			
Deposit . . . . .	39.26	—	39.26
	(36.06)	(—)	(36.06)
Other Liabilities . . . . .	42.23	—	42.23
	(29.45)	(—)	(29.45)
<b>Receivables</b>			
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)
<b>Maximum outstanding during the year</b>			
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:

Particulars	₹ in crores	
	As at March 31, 2016	As at March 31, 2015
<b>Total Minimum lease payments outstanding</b>		
Less than 1 year . . . . .	4.79	5.12
1 to 5 years . . . . .	3.29	5.43
5 years and above . . . . .	—	—
<b>Total . . . . .</b>	<b>8.08</b>	<b>10.55</b>
<b>Interest Cost payable . . . . .</b>		
Less than 1 year . . . . .	0.63	0.89
1 to 5 years . . . . .	0.39	0.51
5 years and above . . . . .	—	—
<b>Total . . . . .</b>	<b>1.02</b>	<b>1.40</b>
<b>Present value of minimum lease payments payable</b>		
Less than 1 year . . . . .	4.16	4.23
1 to 5 years . . . . .	2.90	4.92
5 years and above . . . . .	—	—
<b>Total . . . . .</b>	<b>7.06</b>	<b>9.15</b>

#### 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:

Particulars	₹ in crores	
	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
<b>Total . . . . .</b>	<b>1,962.42</b>	<b>1,320.86</b>

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
<b>Basic and diluted</b>		
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:

Particulars	₹ in crores	
	As at 31-Mar-2016	As at 31-Mar-2015
<b>Deferred Tax Assets</b>		
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
<b>Total . . . . .</b>	<b>6,884.15</b>	<b>5,821.43</b>
<b>Deferred Tax Liabilities</b>		
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
<b>Total . . . . .</b>	<b>8,653.37</b>	<b>7,539.15</b>
<b>Net Deferred Tax Assets/(Liabilities) . . . . .</b>	<b>(1,769.22)</b>	<b>(1,717.72)</b>

### 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
<b>Total . . . . .</b>	<b>43,363.32</b>	<b>33,369.26</b>

(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) <b>Closing balance . . . . .</b>	<b>193.76</b>	<b>222.05</b>

#### ➤ 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) <b>Closing balance . . . . .</b>	<b>718.21</b>	<b>1,077.91</b>

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.

**(ARUNDHATI BHATTACHARYA)**  
**CHAIRMAN**

**(P. K. GUPTA)**  
**MD (C & R)**

**(V. G. KANNAN)**  
**MD (A & S)**

**(B. SRIRAM)**  
**MD (CBG)**

**In terms of our Report of even date  
For VARMA & VARMA  
Chartered Accountants  
(Firm Regn. No. 004532 S)**

**CHERIAN K BABY**  
**PARTNER**  
**M. No. 16043**

**Kolkata,**  
**Dated: 27th May 2016**



**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (CONSOLIDATED)  
FOR THE YEAR ENDED MARCH 31, 2015**

**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 29 subsidiaries, 8 Joint Ventures and 21 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.
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, 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. 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.
- d. Recovery from funded guarantee schemes is recognised as income in the year of receipt.
- e. 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.
- f. 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 recognised on accrual basis.
- b. Interchange income is recognised on accrual basis.
- c. 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 during an accounting period but not reported or claimed (IBNR) or not enough reported (i.e. reported with information insufficient for making a reasonable estimate of likely claim amount) (IBNER) before the end of the accounting period, is the amount determined by the Appointed Actuary/Consulting Actuary based on actuarial principles in accordance with the Guidance Notes issued by the Institute of Actuaries of India with the concurrence of the IRDA and any directions issued by IRDA in this respect.

**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 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, 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, 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.
- 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: -**

- Government securities with remaining maturity of more than one year are valued at prices obtained from Credit Rating Information Services of India Limited ('CRISIL') except Government of India scrips which are valued at prices obtained from FIMMDA. Debt securities other than Government securities with remaining maturity of more than one year are valued on the basis of CRISIL Bond Valuer. The amortised or average cost of Government and other debt securities with remaining maturity of less than one year are amortised over the remaining life of the securities. 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).

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.

- Unlisted equity securities are measured at historical cost.

### 3. Loans /Advances and Provisions thereon:

3.1 Loans and Advances are classified as performing and non-performing, based on the guidelines 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 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 extraordinary 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. Effectiveness of hedge is established at the inception of Contracts and periodically thereafter.

- 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 In case of SBI, 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 & ATM	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	—	100% depreciated in the year of purchase
4 . . . .	Assets given on financial lease upto 31st March 2001	Straight Line Method	At the rates prescribed for the specific asset under the Companies Act, 1956
5 . . . .	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 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/virtually certain.

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.

#### **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 29 Subsidiaries, 8 Joint Ventures and 21 Associates including 18 Regional Rural Banks from/upto respective dates of merger during the year (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	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	78.91	75.01
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	71.54
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)	State Bank of India (Canada)	Canada	100.00	100.00
18)	State Bank of India (California)	USA	100.00	100.00
19)	SBI (Mauritius) Ltd.	Mauritius	96.60	96.36
20)	PT Bank SBI Indonesia	Indonesia	99.00	99.00
21)	State Bank of India (Botswana) Ltd.	Botswana	100.00	100.00
22)	SBICAP (UK) Ltd.	U.K.	100.00	100.00
23)	SBI Cards and Payment Services Pvt. Ltd. @	India	60.00	60.00
24)	SBI Funds Management Pvt. Ltd. @	India	63.00	63.00
25)	SBI Life Insurance Company Ltd. @	India	74.00	74.00
26)	Commercial Indo Bank Llc , Moscow @	Russia	60.00	60.00
27)	Nepal SBI Bank Ltd.	Nepal	55.10	55.28
28)	SBI Funds Management (International) Private Ltd. @	Mauritius	63.00	63.00
29)	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 is holding in these companies in excess of 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	29.22	29.22
20)	Bank of Bhutan Ltd.	Bhutan	20.00	20.00
21)	SBI Home Finance Ltd. (under winding up)	India	25.05	25.05

- a. State Bank of Travancore (SBT), a Domestic Banking Subsidiary (DBS) of SBI has made a preferential allotment of 92,53,473 shares to SBI in April, 2014 at a price of ₹416.06 per share, amounting to ₹385.00 crores, after which SBI's stake has increased from 75.01% to 78.91%. As a result, the Group's stake in SBI DFHI Ltd. has also been increased from 71.54% to 71.58% due to indirect method.
- b. SBT has further offered 1,18,50,694 Equity Shares of ₹10 each at a premium of ₹390 per share to its existing shareholders as Right Issue during the period March 17, 2015 to March 31, 2015. The entire share application money has been disclosed by SBT as share application money pending allotment in its Balance Sheet as on March 31, 2015. On April 13, 2015, SBT has allotted 94,81,518 equity shares to SBI and 23,69,176 equity shares to others against the share application money. As a result, the stake of SBI has increased from 78.91% to 79.09%.

- c. SBI has infused an additional capital of ₹752 crores in State Bank of Patiala, its wholly owned DBS.
- d. SBI has acquired an additional stake of 0.24% in its Overseas Subsidiary, SBI (Mauritius) Ltd., in July 2014, by investing ₹1.97 crores, after which the stake of SBI has been increased to 96.60%.
- e. Nepal SBI Bank Ltd. (an Overseas Subsidiary of SBI) has issued an additional 89,763.96 shares from its unsubscribed portion to the minority share holders through public quota in December 2014 due to which SBI's stake has reduced from 55.28% to 55.10%.
- f. SBI has remitted ₹161.91 crores to PT Bank SBI Indonesia (an Overseas Subsidiary of SBI) in December 2014 towards Share Application Money for augmentation of the latter's capital. Allotment of shares is pending as on March 31, 2015.
- g. SBI General Insurance Co. Ltd., a Domestic Non-banking Subsidiary of SBI has raised funds from its shareholders i.e. SBI and IAG Australia, by allotment of 2.80 crore equity shares of ₹10 each in July 2014 at a price of ₹150 per share amounting to ₹420 crores. By such allotment, SBI has infused ₹310.80 crores in proportionate to the existing stake, which is 74%.
- h. SBI Capital Markets Ltd. (a wholly owned Subsidiary of SBI) has infused an additional capital of ₹25 crores in its wholly owned Subsidiary, SBICAP Securities Ltd.
- i. SBI Capital Markets Ltd. (a wholly owned Subsidiary of SBI) has infused an additional capital of ₹38.23 crores in its wholly owned Subsidiary, SBICAP (Singapore) Ltd.
- j. The name of "Deccan Grameena Bank", a RRB sponsored by State Bank of Hyderabad has been changed to "Telangana Grameena Bank" w. e. f. October 20, 2014 as notified in the Gazette of India.
- k. In accordance with notification issued by Govt. of India, the following amalgamation has taken place in between the Regional Rural Bank (RRB) sponsored by State Bank of Bikaner and Jaipur and RRB sponsored by other bank :-

Name of transferor RRBs	Sponsor Bank of transferor RRBs	New Name after Amalgamation of RRBs	Sponsor Bank of transferee RRB	Effective Date of Amalgamation
Marudhara Gramin Bank	State Bank of Bikaner and Jaipur	Rajasthan Marudhara Gramin Bank	State Bank of Bikaner and Jaipur	April 1, 2014
Mewar Aanchalik Gramin Bank	ICICI Bank			

- 1.2 The consolidated financial statements for the financial year 2014-15 of the Group includes unaudited financial statements of State Bank of India (Canada), a subsidiary and Bank of Bhutan Ltd., an associate.

## 2. Share capital:

- 2.1 During the year, SBI received application money of ₹2,970.00 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 including share premium of ₹2,959.95 crores. The equity shares were allotted on April 1, 2015.
- 2.2 In terms of the provisions of Section 4 of the State Bank of India Act, 1955, the Central Board of the Bank at its meeting held on September 24, 2014 had considered and approved reduction of face value of equity shares of SBI from ₹10 per share to ₹ 1 per share and to increase the number of issued shares in proportion thereof. The share split was done on November 21, 2014.

- 2.3 SBI has kept in abeyance the allotment of 8,30,750 (Previous Year 83,075 Equity Shares of ₹10/- each) Equity Shares of ₹1/- each issued as a part of Rights issue - 2008, since they are subject to title disputes or are subjudice.
- 2.4 Expenses in relation to the issue of shares: Nil (Previous Year ₹25.62 crores) debited to Share Premium Account.

### 3. Disclosures as per Accounting Standards

#### 3.1 Changes in Accounting Policies - Depreciation Policy on Fixed Assets

During the year, the method of depreciation on Fixed Assets has been changed to straight line method (SLM) on the basis of useful life determined on technical evaluation, as against WDV method with Income Tax Rates being used hitherto. Consequent to the change, depreciation of prior period amounting to ₹741.77 crores has been found to be in excess and the depreciation charged for the year is higher by ₹125.66 crores. As a result the fixed assets and profit before tax are higher by ₹616.11 crores.

#### 3.2 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) :-

Particulars	₹ in crores			
	Pension Plans		Gratuity Plans	
	Current Year	Previous Year	Current Year	Previous Year
<b>Change in the present value of the defined benefit obligation</b>				
Opening defined benefit obligation at 1st April 2014.....	56,863.05	50,109.94	9,176.98	9,287.23
Current Service Cost .....	1,561.91	1,377.26	219.45	269.73
Interest Cost .....	5,070.61	4,300.42	833.14	780.71
Past Service Cost (Vested Benefit).....	Nil	Nil	(0.02)	0.06
Actuarial losses /(gains).....	5,083.47	4,498.58	529.94	(117.85)
Benefits paid .....	(2,146.26)	(718.94)	(1,216.39)	(1,042.90)
Direct Payment by SBI .....	(1,903.22)	(2,704.21)	Nil	Nil
Closing defined benefit obligation at 31st March 2015 .....	64,529.56	56,863.05	9,543.10	9,176.98
<b>Change in Plan Assets</b>				
Opening fair value of plan assets at 1st April 2014.....	53,143.82	44,715.33	9,206.33	8,595.25
Expected Return on Plan assets .....	4,719.23	3,903.23	794.11	703.92
Contributions by employer .....	3,731.53	5,079.95	471.60	942.51
Benefits Paid .....	(2,146.26)	(718.94)	(1,216.39)	(1,042.90)
Actuarial Gains / (Losses) on plan assets.....	2,437.82	164.25	107.29	7.55
Closing fair value of plan assets at 31st March 2015.....	61,886.14	53,143.82	9,362.94	9,206.33



Particulars	Pension Plans		Gratuity Plans	
	Current Year	Previous Year	Current Year	Previous Year
<b>Reconciliation of present value of the obligation and fair value of the plan assets</b>				
Present Value of funded obligation at 31st March 2015 . . . . .	64,529.56	56,863.05	9,543.10	9,176.98
Fair Value of plan assets at 31st March 2015 . . . . .	61,886.14	53,143.82	9,362.94	9,206.33
Deficit/(Surplus) . . . . .	2,643.42	3,719.23	180.16	(29.35)
Unrecognised Past Service Cost (Vested)				
Closing Balance . . . . .	Nil	187.10	Nil	51.59
Net Liability/(Asset) . . . . .	2,643.42	3,532.13	180.16	(80.94)
<b>Amount Recognised in the Balance Sheet</b>				
Liabilities . . . . .	64,529.56	56,863.05	9,543.10	9,176.98
Assets . . . . .	61,886.14	53,143.82	9,362.94	9,206.33
Net Liability / (Asset) recognised in Balance Sheet . . . . .	2,643.42	3,719.23	180.16	(29.35)
Unrecognised Past Service Cost (Vested)				
Closing Balance . . . . .	Nil	187.10	Nil	51.59
Net Liability/ (Asset) . . . . .	2,643.42	3,532.13	180.16	(80.94)
<b>Net Cost recognised in the profit and loss account</b>				
Current Service Cost . . . . .	1,561.91	1,377.26	219.45	269.73
Interest Cost . . . . .	5,070.61	4,300.42	833.14	780.71
Expected return on plan assets . . . . .	(4,719.23)	(3,903.23)	(794.11)	(703.92)
Past Service Cost (Amortised) Recognised . . . . .	187.10	187.09	51.57	251.59
Past Service Cost (Vested Benefits)				
Recognised . . . . .	Nil	Nil	Nil	Nil
Net Actuarial Losses / (Gains) recognised during the year . . . . .	2,645.65	4,334.33	422.65	(125.40)
Total costs of defined benefit plans included in Schedule 16 "Payments to and provisions for employees" . . . . .	4,746.04	6,295.87	732.70	472.71
<b>Reconciliation of expected return and actual return on Plan Assets</b>				
Expected Return on Plan Assets . . . . .	4,719.23	3,903.23	794.11	703.92
Actuarial Gains/ (Losses) on Plan Assets . . . . .	2,437.82	164.25	107.29	7.55
Actual Return on Plan Assets . . . . .	7,157.05	4,067.48	901.40	711.47
<b>Reconciliation of opening and closing net liability/(asset) recognised in Balance Sheet</b>				
Opening Net Liability as at 1st April 2014 . . . . .	3,532.13	5,020.42	(80.94)	388.80
Expenses as recognised in profit and loss account . . . . .	4,746.04	6,295.87	732.70	472.71
Paid by SBI Directly . . . . .	(1,903.22)	(2,704.21)	Nil	Nil
Employer's Contribution . . . . .	(3,731.53)	(5,079.95)	(471.60)	(942.51)
Past Service Cost . . . . .	Nil	Nil	Nil	0.06
Net liability/(Asset) recognised in Balance Sheet . . . . .	2,643.42	3,532.13	180.16	(80.94)

Investments under Plan Assets of Gratuity Fund & Pension Fund as on March 31, 2015 are as follows:

Category of Assets	Pension Fund	Gratuity Fund
	% of Plan Assets	% of Plan Assets
Central Govt. Securities . . . . .	31.29%	23.90%
State Govt. Securities . . . . .	22.12%	16.42%
Debt Securities, Money Market Securities and Bank Deposits . . .	42.19%	32.93%
Insurer Managed Funds . . . . .	0.23%	23.68%
Others . . . . .	4.17%	3.07%
<b>Total</b> . . . . .	<b>100.00%</b>	<b>100.00%</b>

**Principal actuarial assumptions:**

Particulars	Pension Plans		Gratuity Plans	
	Current year	Previous year	Current year	Previous year
Discount Rate . . . . .	8.21% to 8.21%	8.75% to 9.27%	8.21% to 8.21%	8.75% to 9.31%
Expected Rate of return on Plan Asset . . . . .	8.21% to 9.00%	8.75% to 9.27%	8.00% to 9.00%	8.75% to 9.31%
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.

During the year, SBI has aligned its policy with regard to valuation of plan assets from Book Value to Fair Value in accordance with Accounting Standard 15 issued by ICAI. As a result of the change, the value of plan assets has increased by ₹2,069.00 crores in respect of Pension Fund and by ₹113.87 crores in respect of Gratuity Fund.

### 3.2.1.2 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. 2014-15.

The following table sets out the status of Provident Fund as per the actuarial valuation by the independent Actuary appointed by the Bank:-

Particulars	Provident Fund	
	Current Year	Previous Year
₹ in crores		
<b>Change in the present value of the defined benefit obligation</b>		
Opening defined benefit obligation at 1st April 2014 . . . . .	21,804.39	20,742.83
Current Service Cost . . . . .	527.14	529.53
Interest Cost . . . . .	1869.09	1,838.65
Employee Contribution (including VPF). . . . .	661.66	656.87
Actuarial losses/(gains) . . . . .	—	—
Benefits paid . . . . .	(2,363.77)	(1,963.49)
Closing defined benefit obligation at 31st March 2015. . . . .	22,498.51	21,804.39
<b>Change in Plan Assets . . . . .</b>		
Opening fair value of Plan Assets as at 1st April 2014 . . . . .	22,366.42	21,223.41
Expected Return on Plan Assets . . . . .	1,869.09	1,838.65
Contributions . . . . .	1,188.80	1,186.40
Benefits Paid . . . . .	(2,363.77)	(1,963.49)
Actuarial Gains / (Loss) on plan Assets . . . . .	137.28	81.45
Closing fair value of plan assets as at 31st March 2015. . . . .	23,197.82	22,366.42
<b>Reconciliation of present value of the obligation and fair value of the plan assets</b>		
Present Value of Funded obligation at 31st March 2015. . . . .	22,498.51	21,804.39
Fair Value of Plan assets at 31st March 2015. . . . .	23,197.82	22,366.42
Deficit/(Surplus) . . . . .	(699.31)	(562.03)
Net Asset not recognised in Balance Sheet. . . . .	699.31	562.03
<b>Net Cost recognised in the profit and loss account</b>		
Current Service Cost . . . . .	527.14	529.53
Interest Cost . . . . .	1869.09	1,838.65
Expected return on plan assets . . . . .	(1,869.09)	(1,838.65)
Interest shortfall reversed. . . . .	—	—
Total costs of defined benefit plans included in Schedule 16 “Payments to and provisions for employees” . . . . .	527.14	529.53
<b>Reconciliation of opening and closing net liability/ (asset) recognised in Balance Sheet</b>		
Opening Net Liability as at 1st April 2014. . . . .	—	—
Expense as above. . . . .	527.14	529.53
Employer’s Contribution . . . . .	(527.14)	(529.53)
Net Liability/(Asset) Recognized In the Balance Sheet. . . . .	—	—

Investments under Plan Assets of Provident Fund as on March 31, 2015 are as follows:

Category of Assets	Provident Fund	
	% of Plan Assets	
Central Govt. Securities . . . . .	40.62	
State Govt. Securities . . . . .	18.88	
Debt Securities, Money Market Securities and Bank Deposits . . . . .	0.14	
Public and Private Sector Bonds . . . . .	36.05	
Insurer Managed Funds . . . . .	—	
Others . . . . .	4.31	
Total . . . . .	100.00%	

Principal actuarial assumptions

Particulars	Provident Fund	
	Current year	Previous year
Discount Rate . . . . .	8.21%	9.35%
Guaranteed Return . . . . .	8.75%	8.75%
Attrition Rate . . . . .	2.00%	2.00%

### 3.2.2 Defined Contribution Plans

#### 3.2.2.1 Employees Provident Fund

An amount of ₹33.30 crores (Previous Year ₹31.29 crores) is recognised as an expense 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.

#### 3.2.2.2 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 ₹200.10 crores (Previous Year ₹160.16 crores) has been contributed in the scheme.

### 3.2.3 Other Long term Employee Benefits

Amount of ₹813.83 crores (Previous Year ₹(-) 19.56 crores) is provided towards 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 long Term Employees' Benefits during the year;

₹ in crores

Sl. No.	Long Term Employees' Benefits	Current Year	Previous Year
1	Privilege Leave (Encashment) incl. leave encashment at the time of retirement	801.28	448.98
2	Leave Travel and Home Travel Concession (Encashment/Availment)	(21.66)	7.00
3	Sick Leave	6.46	(385.64)
4	Silver Jubilee/Long Term Service Award	11.15	(11.14)
5	Resettlement Expenses on Superannuation	13.23	1.07
6	Casual Leave	Nil	(82.55)
7	Retirement Award	3.37	2.72
<b>Total</b>		<b>813.83</b>	<b>(19.56)</b>

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 Segment Reporting:

#### 3.3.1 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.

### 3.3.2 SEGMENT INFORMATION

#### PART A: PRIMARY (BUSINESS) SEGMENTS:

₹ in crores

<b>Business Segment</b>	<b>Treasury</b>	<b>Corporate / Wholesale Banking</b>	<b>Retail Banking</b>	<b>Insurance Business</b>	<b>Other Banking Operations</b>	<b>Elimination</b>	<b>TOTAL</b>
Revenue . . . . .	51,867.83 (42,418.29)	85,230.94 (73,300.30)	90,340.03 (89,329.62)	24,476.88 (18,066.15)	4,144.11 (3,388.22)		2,56,059.79 (2,26,502.58)
Unallocated Revenue . . . . .							1,229.72 (441.98)
Total Revenue . . . . .							2,57,289.51 (2,26,944.56)
Result . . . . .	7,331.87 (2,139.86)	1,945.87 (3,653.51)	17,914.50 (18,007.47)	843.39 (718.43)	1,361.91 (948.79)		29,397.54 (25,468.06)
Unallocated Income(+)/Expenses(-) net . . . . .							-3,542.97 (-4,142.52)
Operating Profit (PBT) . . . . .							25,854.57 (21,325.54)
Taxes . . . . .							8,337.20 (6,836.07)
Extraordinary Profit/Loss . . . . .							— (—)
Net Profit before share in profit in Associates and Minority Interest . . . . .							17,517.37 (14,489.47)
Add: Share in Profit in Associates . . . . .							314.44 (317.73)
Less: Minority Interest . . . . .							837.51 (633.43)
Net Profit for the Group. . . . .							16,994.30 (14,173.77)
<b>Other Information:</b>							
Segment Assets . . . . .	6,44,061.54 (5,45,105.61)	10,35,488.78 (9,44,851.52)	9,07,679.97 (8,12,863.85)	76,948.47 (62,451.99)	13,468.53 (10,975.68)		26,77,647.29 (23,76,248.65)
Unallocated Assets . . . . .							22,462.73 (20,246.65)
Total Assets . . . . .							27,00,110.02 (23,96,495.38)
Segment Liabilities . . . . .	3,66,954.63 (2,64,556.11)	9,58,490.64 (8,16,172.78)	10,59,909.52 (10,33,771.53)	72,072.91 (58,592.60)	9,110.23 (7,239.78)		24,66,537.93 (21,80,332.80)
Unallocated Liabilities . . . . .							72,184.55 (68,791.97)
Total Liabilities . . . . .							25,38,722.48 (22,49,124.77)



## PART B: SECONDARY (GEOGRAPHIC) SEGMENTS

₹ in crores

	<u>Domestic Operations</u>	<u>Foreign Operations</u>	<u>TOTAL</u>
Revenue.....	2,46,689.00 (2,16,975.27)	10,600.51 (9,969.29)	2,57,289.51 (2,26,944.56)
Results.....	24,854.59 (22,136.04)	4,542.95 (3,332.02)	29,397.54 (25,468.06)
Assets.....	23,78,661.71 (21,09,119.12)	3,21,448.31 (2,87,376.18)	27,00,110.02 (23,96,495.30)
Liabilities.....	22,20,650.02 (19,65,113.49)	3,18,072.46 (2,84,011.28)	25,38,722.48 (22,49,124.77)

(i) Income/Expenses are for the whole year. Assets/Liabilities are as at March 31, 2015.

(ii) Figures within brackets are for previous year

### 3.4 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 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 winding up)

**C) Key Management Personnel of the Bank:**

1. Smt. Arundhati Bhattacharya, Chairman
2. Shri Hemant G. Contractor, Managing Director & Group Executive (International Banking) (upto 30.04.2014)
3. Shri A. Krishna Kumar
  - Managing Director & Group Executive (National Banking) (upto 16.04.2014)
  - Managing Director & Group Executive (International Banking) (17.04.2014 to 30.11.2014)
  - Managing Director & Group Executive (International Banking) (additional charge of Managing Director & Group Executive (National Banking) (from 01.05.2014 to 16.07.2014)

4. Shri S. Vishvanathan, Managing Director & Group Executive (Associates & Subsidiaries) (upto 30.04.2014)
5. Shri P. Pradeep Kumar
  - Managing Director & Group Executive (Corporate Banking)
  - Managing Director & Group Executive (International Banking) (additional charge of Managing Director & Group Executive (Associates & Subsidiaries) (from 01.05.2014 to 16.07.2014)
6. Shri V.G. Kannan, Managing Director & Group Executive (Associates & Subsidiaries) (from 17.07.2014)
7. Shri B. Sriram, Managing Director & Group Executive (National Banking) (from 17.07.2014)

**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 are not required to be disclosed in respect of Key Management Personnel and relatives of Key Management Personnel.

### 3.4.3 Transactions and Balances:

₹ in crores

Particulars	Associates/ Joint Ventures	Key Management Personnel & their relatives	Total
<b>Transactions during the year 2014-15</b>			
Interest Income . . . . .	—	—	—
	(0.02)	(—)	(0.02)
Interest Expenditure . . . . .	2.78	—	2.78
	(4.00)	(—)	(4.00)
Income earned by way of Dividend . . . . .	33.82	—	33.82
	(12.24)	(—)	(12.24)
Other Income . . . . .	—	—	—
	(3.50)	(—)	(3.50)
Other Expenditure . . . . .	9.01	—	9.01
	(9.01)	(—)	(9.01)
Management Contract . . . . .	308.94	1.03	309.97
	(267.08)	(1.08)	(268.16)
<b>Outstanding as on 31st March 2015</b>			
<b>Payables</b>			
Deposit . . . . .	36.06	—	36.06
	(95.40)	(—)	(95.40)
Other Liabilities . . . . .	29.45	—	29.45
	(16.32)	(—)	(16.32)
<b>Receivables</b>			
Balances with Banks . . . . .	2.12	—	2.12
	(—)	(—)	(—)
Investments . . . . .	41.55	—	41.55
	(41.55)	(—)	(41.55)
Advances . . . . .	0.24	—	0.24
	(—)	(—)	(—)
Other Assets . . . . .	0.34	—	0.34
	(0.30)	(—)	(0.30)
<b>Maximum outstanding during the year</b>			
Borrowings . . . . .	—	—	—
	(—)	(—)	(—)
Deposit . . . . .	57.32	—	57.32
	(100.87)	(—)	(100.87)
Other Liabilities . . . . .	87.46	—	87.46
	(64.80)	(—)	(64.80)
Balance with Banks . . . . .	5.94	—	5.94
	(—)	(—)	(—)
Advances . . . . .	0.52	—	0.52
	(2.02)	(—)	(2.02)
Investment . . . . .	41.55	—	41.55
	(41.55)	(—)	(41.55)
Other Assets . . . . .	0.34	—	0.34
	(0.30)	(—)	(0.30)
Non-fund commitments (LCs/BGs) . . . . .	—	—	—
	(—)	(—)	(—)

(Figures in brackets pertain to previous year)

There are no material significant related party transactions during the year.

### 3.5 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 crores	
Particulars	Current Year	Previous Year
<b>Total Minimum lease payments outstanding</b>		
Less than 1 year . . . . .	5.12	5.68
1 to 5 years . . . . .	5.43	9.11
5 years and above. . . . .	—	—
<b>Total</b> . . . . .	10.55	14.79
<b>Interest Cost payable</b>		
Less than 1 year . . . . .	0.89	1.49
1 to 5 years . . . . .	0.51	1.09
5 years and above. . . . .	—	—
<b>Total</b> . . . . .	1.40	2.58
<b>Present value of minimum lease payments payable</b>		
Less than 1 year . . . . .	4.23	4.19
1 to 5 years . . . . .	4.92	8.02
5 years and above. . . . .	—	—
<b>Total</b> . . . . .	9.15	12.21

#### 3.5.2 Operating Lease\*

Premises taken on operating lease are given below:

	₹ in crores	
Particulars	Current Year	Previous Year
Not later than 1 year . . . . .	262.05	209.55
Later than 1 year and not later than 5 years . . . . .	836.60	608.53
Later than 5 years . . . . .	222.21	157.73
<b>Total</b> . . . . .	1,320.86	975.81
Amount of lease payments recognised in the P&L Account for the year. . . . .	1,744.10	235.15

Operating leases primarily comprise office premises and staff residences, which are renewable at the option of the group entities.

\* In respect of Non-Cancellable leases only.

### 3.6 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
<b>Basic and diluted</b>		
Number of Equity Shares outstanding at the beginning of the year . . . . .	7,46,57,30,920	6,84,03,39,710
Number of Equity Shares issued during the year. . . . .	—	62,53,91,210
Number of Equity Shares outstanding at the end of the year. . . . .	7,46,57,30,920	7,46,57,30,920
Weighted average number of equity shares used in computing basic earning per share . . . . .	7,46,57,30,920	6,94,78,39,100
Weighted average number of shares used in computing diluted earning per share. . . . .	7,46,60,06,199	6,94,78,39,100
Net profit (Other than minority) (₹ in crores). . . . .	16,994.30	14,173.77
Basic earnings per share (₹) . . . . .	22.76	20.40
Diluted earnings per share (₹) . . . . .	22.76	20.40
Nominal value per share (₹) . . . . .	1.00	1.00

\* The face value of shares of the Bank was split from ₹10 per share to ₹1 per share w.e.f. November 22, 2014. All the shares and per share information reflect the effect of the split for each period presented.

Diluted earnings per share is computed taking into consideration the amount received for equity shares allotted on April 1, 2015.

### 3.7 Accounting for Taxes on Income:

- i) During the year, ₹1,049.64 crores has been credited to Profit and Loss Account on account of deferred tax. In the previous year, ₹ 1,173.66 crores was debited 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-2015	As at 31-Mar-2014
<b>Deferred Tax Assets</b>		
Provision for Defined Benefit Schemes on account of Wage Revision . . . . .	954.34	364.66
Provision for long term employee Benefits . . . . .	2,235.65	1,632.72
Provision/Additional Provision on Specified Restructured Standard/Standard Assets over the specified RBI Prudential Norms . . . . .	1,745.05	837.07
Depreciation on Fixed Assets . . . . .	(0.23)	14.37
Provision for non performing assets . . . . .	195.67	205.78
Others . . . . .	690.95	845.85
<b>Total . . . . .</b>	<b>5,821.43</b>	<b>3,900.45</b>
<b>Deferred Tax Liabilities</b>		
Depreciation on Fixed Assets . . . . .	210.79	28.02
Interest on securities. . . . .	3,660.78	3,441.43
Special Reserve created u/s 36(1)(viii) of Income Tax Act 1961 . . . . .	3,196.64	2,541.06
Others . . . . .	470.94	863.33
<b>Total . . . . .</b>	<b>7,539.15</b>	<b>6,873.84</b>
<b>Net Deferred Tax Assets/(Liabilities) . . . . .</b>	<b>(1,717.72)</b>	<b>(2,973.39)</b>

\$ Includes ₹2,052.76 crores transferred from Revenue and Other reserves in accordance with RBI circular.

### 3.8 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 Provisions, Contingent Liabilities & Contingent Assets:

#### > Break up of provisions:

₹ in crores

Particulars	Current Year	Previous Year
a) Provision for Taxation		
— Current Tax	9375.30	5,650.56
— Deferred Tax	(1,049.64)	1,173.66
— Other Taxes	11.54	11.85
b) Provision on Non-Performing Assets	20,010.91	17,465.50
c) Provision on Restructured Assets	1,563.63	871.80
d) Provision on Standard Assets	2,918.48	1,568.87
e) Provision for Depreciation on Investments	(663.07)	876.27
f) Other Provisions	578.34	(11.20)
<b>Total</b>	<b>32,745.49</b>	<b>27,607.31</b>

(Figures in brackets indicate credit)



➤ **Floating provisions:**

₹ in crores

Particulars		Current Year	Previous Year
a)	Opening Balance	362.37	479.22
b)	Addition during the year	—	—
c)	Draw down during the year	140.32	116.85
d)	Closing balance	222.05	362.37

➤ **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 that 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	790.46	557.97
b)	Additions during the year	378.00	260.68
c)	Reductions during the year	90.55	28.19
d)	Closing balance	1,077.91	790.46

4 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.

5 The investments of life and general insurance subsidiaries have been accounted 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 9.97% (Previous Year 9.69%) of the total investments as on March 31, 2015.

6 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.

7 Additional statutory information disclosed in separate financial statements of the parent and the 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 general clarifications issued by ICAI.

## 8 Pending Wage Agreement

The Ninth Bipartite Settlement entered into by the Indian Banks' Association on behalf of the member Banks with the All India Unions of Workmen expired on October 31, 2012. In accordance with the understanding reached by IBA, pending the execution of agreement for wage revision, to be effective from November 01, 2012, SBI and its domestic banking subsidiaries have made a provision of ₹3,019.28 crores (Previous year ₹2,353.27 crores) during the year considering 15% increase in salary and allowances on salary slip component. In addition to the above, SBI and its Domestic Banking Subsidiaries (excluding State Bank of Mysore), on estimated basis have made a provision of ₹694.59 crores (Previous year ₹652.30 crores) towards Superannuation and other long term employee benefits.

The total provision held by the Group on account of wage revision (including towards Superannuation and other long term employee benefits) as on March 31, 2015 is ₹8,757.90 crores (previous year ₹5,044.03 crores)

## 9 Unhedged Foreign Currency Exposure

SBI and its Domestic Banking Subsidiaries, in accordance with RBI Circular No. DBOD.No.BP.85/21.06.200/2013-14 dated January 15, 2014 on 'Capital and Provisioning Requirements for Exposure to entities with Unhedged Foreign Currency Exposure' has provided for ₹354.12 crores.

## 10 Sale of Assets to Reconstruction Companies

The shortfall on account of sale of assets to Reconstruction Companies amounting to ₹3,897.04 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, ₹887.13 crores has been charged to the Profit & Loss Account for the year ended March 31, 2015. The amount unamortised as at March 31, 2015 is ₹3,009.91 crores.

## 11 Counter Cyclical Buffer

RBI vide Circular No. DBOD.No.BP.95/21.04.048/2013-14 dated February 7, 2014 on 'Utilisation of Floating Provisions/Counter Cyclical Provisioning Buffer' has allowed the banks, to utilise up to 33 per cent of Counter Cyclical Provisioning Buffer (CCPB) held by them as on March 31, 2013, for making specific provisions for Non-Performing Assets (NPAs) as per the policy approved by the Bank's Board of Directors. Accordingly, SBI has utilized the CCPB of ₹382 crores (₹750 Crores utilised in the FY 2013-14) for making specific provision for NPAs, in accordance with the board approved policy and approval of the Board.

Further, 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, Domestic Banking Subsidiaries have utilized the CCPB of ₹79.19 crores for making specific provision for NPAs, in accordance with the board approved policy and approval of the Board.

- 12 Previous year's 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.

**(ARUNDHATI BHATTACHARYA)**  
**CHAIRMAN**

**(V. G. KANNAN)**  
**MD & GE (A&S)**

**(B. SRIRAM)**  
**MD & GE (Nat. Bkg.)**

**(P. PRADEEP KUMAR)**  
**MD & GE (Corp. Bkg.)**

In terms of our Report of even date

**For S. VENKATRAM & CO.**  
**Chartered Accountants**

**(G. NARAYANASWAMY)**  
**Partner : M.No. 002161**  
**Firm Regn. No. 004656 S**

**Kolkata,**  
**Dated: 22nd May 2015**

**THE ISSUER**

**STATE BANK OF INDIA**

**Corporate Center  
International Banking Group**  
7th Floor, State Bank Bhavan  
Madame Cama Road  
Mumbai 400 021

**Hong Kong Branch**  
15th Floor, Central Tower  
28 Queen's Road, Central  
Hong Kong

**Sydney Branch**  
Suite 3102, Level 31  
264 George St  
Sydney NSW 2000  
Australia

**London Branch**  
15 King Street  
London EC2V 8EA  
England

**Nassau Branch**  
Suite 201  
Saffrey Square Bay Street  
Nassau  
The Bahamas

**DEALERS LEGAL ADVISORS**

*To the Dealers and  
the Trustee as to English law*

**Linklaters**  
10th Floor  
Alexandra House  
Chater Road  
Central  
Hong Kong

**ISSUER'S LEGAL ADVISORS**

*To the Issuer as to  
English and Hong Kong law*

**Allen & Overy**  
9th Floor  
Three Exchange Square  
Central  
Hong Kong

*To the Issuer as to  
Australian law*

**Allen & Overy**  
Level 25, 85 Castlereagh St  
Sydney NSW 2000  
Australia

*To the Issuer as to  
Bahamian law*

**Graham, Thompson & Co.**  
Sassoon House  
Shirley St. & Victoria Avenue  
P.O. Box N-272  
Nassau, N.P. The Bahamas

*To the Issuer  
as to Indian law*

**J. Sagar Associates**  
Vakils House  
18 Sprott Road  
Ballard Estate  
Mumbai 400001  
India

**DEALERS**

**Citigroup Global Markets Limited**  
Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

**The Hongkong and Shanghai Banking  
Corporation Limited**  
Level 17, HSBC Main Building  
1 Queen's Road Central  
Hong Kong

**TRUSTEE**

**Citicorp International Limited**  
39/F, Champion Tower  
Three Garden Road  
3 Garden Road  
Central  
Hong Kong

**PRINCIPAL PAYING AGENT  
AND EXCHANGE AGENT**

**Citibank, N.A., London Branch**  
c/o Ground Floor  
1 North Wall Quay  
Dublin Ireland

**REGISTRAR AND TRANSFER AGENT**

**Citigroup Global Markets Deutschland AG**  
Reuterweg 16  
60323 Frankfurt  
Germany

**AUDITORS**

**M/s. Amit Ray & Co.**  
5-B, Sardar Patel Marg  
Allahabad 211001  
India